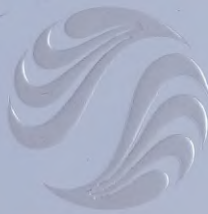


AR75

Wingspear Business Reference Lib
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Edmonton, Alberta T6G 2P6

Stantec Inc. **2002** Annual Report



Stantec

Corporate Profile

Stantec provides professional services in infrastructure and facilities.

The Company's comprehensive services in planning, engineering, environmental sciences, architecture, interior design, landscape architecture, surveying, and project economics support clients at every stage, from initial concept and financial feasibility to project completion and beyond. Services are offered through more than 3,500 employees operating out of 40 locations in North America and the Caribbean. Stantec trades on the Toronto Stock Exchange under the symbol STN.

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Vision

Stantec's goal is to become one of
the top 10 global design firms.

To achieve this goal, we will continue to pursue excellence in design and project delivery and to follow an orderly growth plan building upon our solid foundation.

Strategy

Stantec is a growth company

Our services are delivered through a focused business model that allows us to manage risk while pursuing our objectives of continued revenue and earnings growth. Focused on the infrastructure and facilities sector, it is a three-dimensional model that incorporates diversification across geographic regions, market segments, and all phases of the project life cycle.

The Model

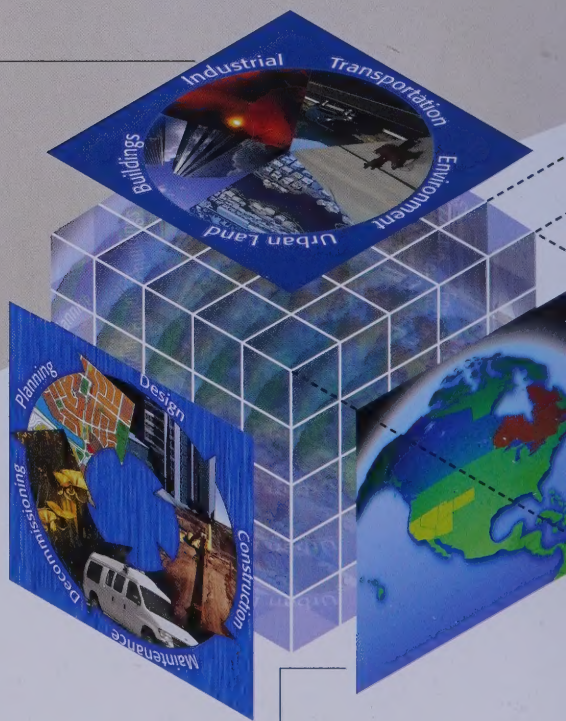
Stantec's three-dimensional model is composed of our services matrix applied across different geographic locations. The services matrix simply reflects work in all phases of a project's life cycle within each market segment. This model diversifies our risks throughout our operations by ensuring that we are not dependent on any single geographic region, market segment, or life cycle solution for our business.

Practice Area Specialization

Practice area diversification is achieved by focusing on distinct specialist practice areas that can generally be grouped into five broad market segments—Buildings, Environment, Industrial, Transportation, and Urban Land.

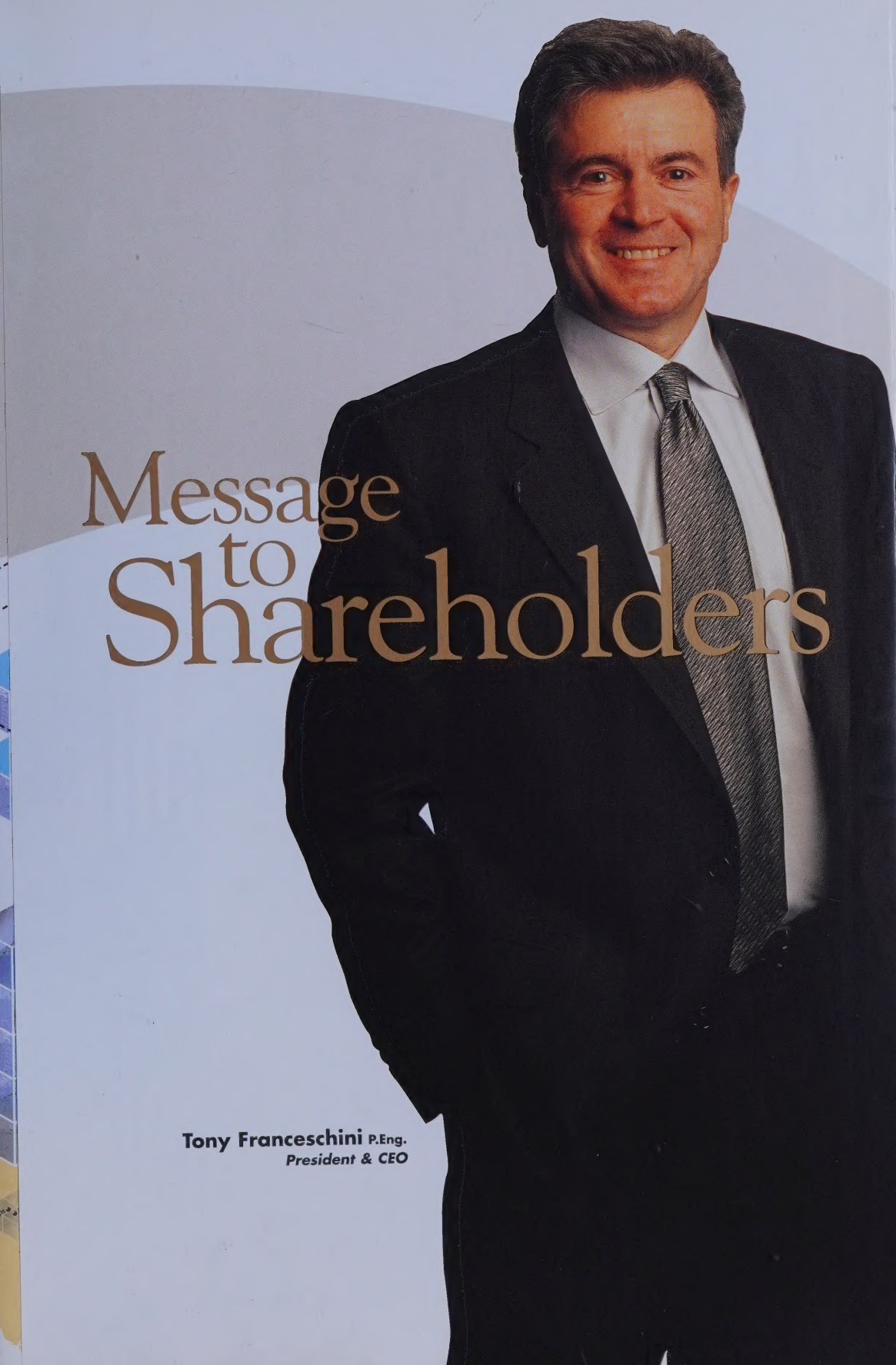
Life Cycle Solutions

Our business model includes the provision of services in all five phases of the project life cycle—planning, design, construction, maintenance, and decommissioning.



Geographic Diversification

Currently, our geographic reach includes four economic regions in North America—Canada West, Canada Central, the US Southwest & West, and the US Southeast. We also provide services in selected locations outside North America on a project basis.



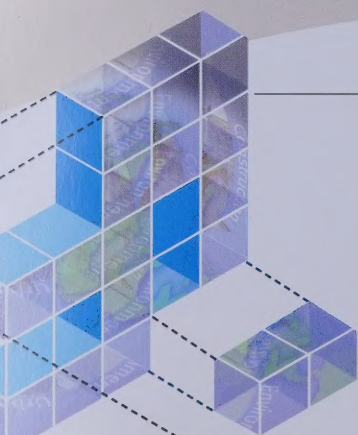
Message to Shareholders

Tony Franceschini P.Eng.
President & CEO

Execution

Strategic growth

Our people are our most valuable resource because their combined knowledge forms the basis of the solutions we deliver to clients. To reach our goal of becoming one of the top 10 global design firms, we are growing our people through a combination of internal hiring and acquisition integration.



Strategic In-filling

Our plan is to continue with strategic in-filling of services in all current regions with employees or companies that can fill gaps in our services matrix. Achieving a complete services matrix in a region positions Stantec to reach mature market penetration. The stronger our services matrix, the better we are positioned in our market.



Geographic Expansion

Our strategy includes expansion outside our existing regions primarily through opportunities to acquire firms that provide services in our services matrix. New regions allow for further strategic in-filling to reach desired market penetration.



Tr

49 years of

Highlights

- Included on the S&P 500, a significant milestone for the Company
- Ranked #1 on *The 2000 Best Places to Work* for services firm in the U.S.
- Achieved an increase in operating income of \$20.8 million, and a 10% increase in revenue
- Ranked #61 on the *ENR* Top 200 global design firms.

In thousands of dollars, except per share amounts

Gross revenue
Net revenue
Operating income
Income before income taxes
Net income
Current assets
Current liabilities
Capital assets
Long-term debt
Shareholders' equity
Gross revenue backlog
Net cash position

Earnings per share — basic
Earnings per share — diluted
Book value per share
Current ratio
Debt to equity ratio
Price earnings ratio

Weighted average number of shares outstanding
Shares outstanding
Shares traded
High
Low
Close

ck Record

Interrupted profitability

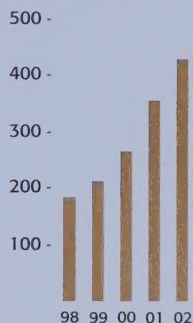
X Composite Index, S&P/TSX Capped Composite Index, S&P/TSX
ex, S&P/TSX Industrials Index, and TSX 200 Indices—a major
ny.

Letter Hot Firm 2002 List—the fastest-growing A/E professional
between 1998 and 2001.

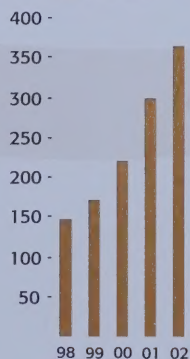
gross revenue of 20.0% to \$428.5 million from \$356.9 million in 2001,
increasing 27.9% to \$36.5 million, net income increasing 35.5% to
earnings per share increasing 26.1% to \$1.16.

earing News Record's 2002 listing of Top 150 International Design Firms,
and demonstrating steady progress toward becoming one of the top 10

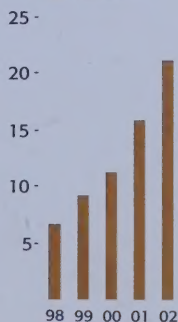
Gross Revenue
■ \$ Millions



Net Revenue
■ \$ Millions



Net Income
■ \$ Millions



	2002	2001	2000	1999	1998
os	\$ 428,456	\$ 356,942	\$ 265,568	\$ 211,929	\$ 185,511
	365,148	298,772	221,263	169,908	148,943
	36,522	28,559	23,725	16,928	13,435
es	34,174	27,324	20,867	16,153	13,207
	20,846	15,381	11,226	8,561	7,185
	163,261	121,267	94,183	82,734	77,068
	98,953	88,428	68,667	51,087	42,394
	51,747	41,371	36,938	19,875	17,482
	41,730	15,652	13,893	15,013	12,272
	152,091	107,461	92,233	63,573	55,783
	299,801	259,185	192,238	149,615	160,177
	29,202	(7,145)	3,426	1,070	6,071
c	1.16	0.92	0.78	0.60	0.50
ed	1.11	0.89	0.76	0.59	0.49
	8.32	6.38	5.54	4.46	3.88
	1.65	1.37	1.37	1.62	1.82
	0.22	0.30	0.22	0.37	0.17
	14.40	13.99	9.94	9.20	10.40
r of	17,987,358	16,742,730	14,374,264	14,308,660	14,459,954
	18,282,720	16,846,340	16,668,340	14,247,970	14,393,594
	4,553,100	8,907,200	4,551,610	4,231,992	4,360,232
	20.50	14.25	8.00	5.75	7.38
	12.88	7.25	5.25	4.85	4.75
	16.70	12.88	7.75	5.50	5.13

I am pleased to report that in 2002 Stantec maintained its record of 49 years of uninterrupted profitability. This year we again proved that Stantec is a company that is built on a solid foundation: a straightforward business model backed by sound values, financial strength, and passion for our work. It is a sustainable formula that focuses on the excellent execution of three key strategic drivers—geographic diversification, practice area specialization, and provision of a full range of professional services throughout the project life cycle.

Our ability to adjust to changes occurring in our marketplace contributed to record performance in 2002: gross revenue increased to \$428.5 million, up 20.0% from 2001; net revenue increased to \$365.1 million, up 22.2%; operating income increased to \$36.5 million, up 27.9%; net income increased to \$20.8 million, up 35.5 %; and basic earnings per share increased to \$1.16, up 26.1%. This consistent performance contributed to an increase of 29.7% in shareholder value during the year.

Our performance and financial strength allowed us to maintain our commitment to growth in a challenging business environment. In 2002 we achieved several key objectives—establishing a strong base for future growth in the Greater Toronto Area in Ontario; strengthening our services in Ottawa, Ontario, Vancouver and Victoria, British Columbia, and Regina and Saskatoon, Saskatchewan, in Canada and in Sacramento, California, and Columbia, South Carolina, in the US; and entering the power, resources, chemicals, and pharmaceuticals sector. During the first quarter of 2003, we successfully expanded our presence in Vancouver, British Columbia, and added further depth to our architectural and interior design practice.

Although the principal focus was on growth, our management team also continued to review our existing operations for ongoing compatibility with our longer-term strategy. During 2002 we chose to divest our minority interest in Linnet Geomatics International Inc., an information technology and geographic information systems company based in Winnipeg, Manitoba, as well as our wholly owned Quebec operation, a 50-person office in Gatineau.

The range of services we offer in our specialist practice areas allows us to undertake diverse projects of any size for both public and private sector clients in the infrastructure and facilities industry. In 2002 our skills in environmental remediation helped us secure a contract to design an enhanced hydrocarbon removal system at a natural gas site in southern Saskatchewan. The process solution created by our staff resulted in significantly increased hydrocarbon recovery rates—from one to over 12 litres per hour—thus reducing the required timeline for remedial operations at the site. In Las Vegas, Nevada, we provided specialist services in code compliance for a retrofit of the Polo Towers luxury resort. Our design solutions—encompassing 21 floors, 512 suites, recreational facilities, and a parking garage—enabled the resort to achieve compliance with

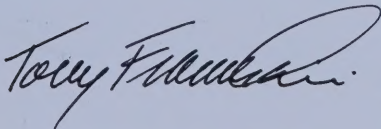
the accessibility requirements of the Americans with Disabilities Act. Our skills were also used in the restoration of the 92-year-old Parkhill Road Bridge, a designated Ontario Heritage Structure crossing the Otonabee River in Peterborough, including replication of the bridge's original impressed concrete designs. In addition, we are providing a comprehensive range of architectural, engineering, and project management services for the development of the prestigious Alberta Heart Institute, a new state-of-the-art health care facility in Edmonton.

Going forward, we are excited about the possibilities that lie ahead. Our commitment to our shareholders is to continue to do in the future what we have successfully done in the past—execute our business plan while capitalizing on market opportunities by remaining financially strong. Our goal is to become one of the top 10 global design firms, and to achieve this objective, we will continue to pursue excellence in design and project delivery and to follow an orderly growth plan building upon our solid foundation. Our strategic focus is to continue to expand in North America, the Caribbean, and selected international markets in areas where we can leverage our skills.

Our financial condition remains healthy and liquid. We have a strong balance sheet with a sustainable level of debt and unused capacity in our existing credit facilities. In addition to cash provided by operations, in March 2002 we raised net proceeds of \$18.3 million through an equity issue of 1.2 million new common shares. This balance sheet strength gives us the flexibility to continue to make appropriate investments in our future. In May we completed a two-for-one stock split, making it easier for investors to purchase board lots of our shares.

At Stantec our success continues to be directed by the values we uphold concerning people, teamwork, clients, integrity, and profits. These values are the foundation of our business practices, guiding our decisions and keeping us on track with our longer-term goals. As we move forward as an organization, we will continue to uphold these standards for excellence.

We are confident that we can achieve our goals because we have employees with the passion and commitment to deliver the highest quality services and solutions to our clients and to execute our operating plan brilliantly. I wish to extend my deepest gratitude to our employees for their contributions to our shared vision and to our board of directors, clients, and shareholders for their continued support.



Tony Franceschini, P.Eng.
President & CEO

At Stantec we strive to enhance the knowledge, prosperity, health, and quality of life of the communities in which we work across North America. This passion for service gives birth to numerous initiatives in many different areas every year, involving donations of our time, expertise, and funds. We formally support endeavors in five major categories: youth and education, health, community service, arts, and public/civic affairs.

For example, in 2002 staff from Stantec's Engineering group in Tucson, Arizona, volunteered time and engineering skills to help their local Neighborhood Association Landscape Committee spruce up their community. Their hard work resulted in the approval of a landscape plan for a significant stretch of meridians in the area. Groundbreaking ceremonies for the project were held at the end of February.

Motivated by their love for nature, Stantec Transportation and Environment staff in Raleigh, North Carolina, participated again in 2002 in the Adopt-A-

Community Investment

Stream program coordinated through the City of Raleigh. Twice during the year, they visited the adopted stream to identify water quality problems and carry out a cleanup. Adopt-A-Stream is an ongoing program for the Raleigh staff, who sign a contract to participate for a minimum of three years.

In the Greater Toronto Area in Ontario, Stantec's Project Management group began providing project management and cost control services for the development of Rose Cherry Home, a hospice/respite center for children who suffer from progressive life-limiting illness. Once complete, the center will allow children to spend their last months or weeks in a relaxed atmosphere away from a typical hospital facility.

Throughout the year successful fundraising campaigns in all Stantec locations resulted in donations to the United Way, the American Cancer Association, the Heart and Stroke Foundation, the United Ostomy Association of Canada, the Kidney Foundation, the Canadian Cancer Society, the Arthritis Society, and many other worthwhile organizations.

These are only a few examples of the many ways Stantec is a caring company, helping to build strong communities for all of us to enjoy.

Values

Stantec's success is directed by the values we uphold about people, teamwork, clients, integrity, and profits.

These values are the foundation of our business practices. They guide our decisions and keep us on track with our longer-term goals. As we move forward, we will continue to uphold these standards for excellence.

At Stantec our people are our most important competitive asset. Ultimately they determine our reputation and vitality. It is their passion for their work and drive for excellence that moves projects ahead, enabling them to overcome challenges and find creative solutions to our clients' needs. We respect and value employee input and opinion while encouraging self-improvement, innovation, creativity, and entrepreneurialism. In this spirit, we take pride in paying tribute to just some of the many people who contributed to our success over the past year.

In Ontario's Greater Toronto Area, Nancy Mather, Vice President and Senior Consultant with our Water Resources group, is recognized as a leading expert in the field of water resources engineering. With 22 years of experience to her credit, Nancy specializes in coordinating studies and designs associated with urban development—subwatershed studies, master servicing plans, master drainage plans, floodplain studies, and basin management strategies.

In addition to her technical skills, she offers clients strategic/management advice with a focus on balancing land use planning with protection of the natural environment. In 2002 she was the lead

consultant for a multidiscipline study team that addressed a range of environmental, servicing, planning, and transportation design issues associated with a large new residential development in the Town of Whitchurch-Stouffville in Ontario. The development is located

within the Oak Ridges Moraine and Rouge Park Valley systems, making evaluations of valley, woodland, and wetland protection important areas of the team's assessment. The team also looked at groundwater, surface water, floodplain, stormwater, and erosion control issues for the area. With the benefit of Nancy's understanding of environmental issues, the project resulted in approval of the development.

Impressive technical skills and practical design experience are tools Claudio Palumbo, a civil engineer and Managing Principal of Stantec's Urban Land Engineering group in Calgary, Alberta,

Nancy Mather



People

uses to develop win/win project solutions for our urban land clients in Canada West. His 17 years of experience includes design, construction administration, preparation of outline and community plans, management of land use approvals, and overall project coordination. In the last few years, Claudio and a multidiscipline team led by the Urban Land Engineering group were instrumental in obtaining technically difficult and challenging approvals associated with the Symons Valley Community Plan project in Calgary. Covering an area comprising 1,370 hectares (3,385 acres), the plan includes five distinct communities with 55,000 residents. The project involved preparation of supporting background information—for example, land use and development concepts—group discussions with clients, and development of a unique set of growth management policies. When complete, the Symons Valley Community Plan represented the most comprehensive community plan ever prepared in the city of Calgary.

The winner of a Governor General's award and more than one award of excellence, Bob Ellard, Architect and Managing Vice President for Saskatchewan and Manitoba, contributes his architectural expertise to diverse Stantec projects in Canada West, extending from regional recreational facilities to unique cultural and historic landmarks. During his 30-year career he has specialized in designing and overseeing the development of office buildings, health care centers, high-tech facilities, and educational institutions. In 2002 he was the principal architect for the new Canada Sound Stage—which won a Municipal Heritage Award for New Design—in Regina, Saskatchewan. Sound stages are huge, clear-height spaces used for the production of motion pictures. Working with the client, Bob and Stantec's Architecture group initiated the innovative concept of reusing Regina's soon-to-be-condemned historic Normal School for the project by preserving its original brick facade while demolishing the three-story interior. The demolition made way for a new interior structure allowing for three sound stages—11 metres (36 feet) high—as well as office and support space.

Claudio Palumbo





From left: Bob Earnhardt, Bill Young, Chuck Trumpie, Tony Roten, and Jerry Craver

In Winston-Salem, North Carolina, the designs and drawings provided by our Electrical Engineering group are considered by many clients and installing contractors to be the most concise, accurate drawings and designs in our industry. Led by manager Bob Earnhardt, Senior Electrical/Instrument and Controls Engineer, the group includes Bill Young, Senior Electrical Designer; Charles Trumpie, Senior Electrical Designer; Tony Roten, Electrical Designer; and Jerry Craver, Electrical Designer. Together they offer clients 108 years of experience and expertise in lighting, electrical power, instrumentation and controls, and electrical design for hazardous locations. Also known for their versatility, they can provide services for projects ranging from heavy industrial plants to light commercial buildings. During 2002 the group was responsible for providing a major manufacturer in Winston-Salem with electrical and instrumentation design for its new steam production facility, including three boilers with a combined steam capacity of 225,000 pounds (102,058 kilograms) per hour as well as support equipment. The new facility was

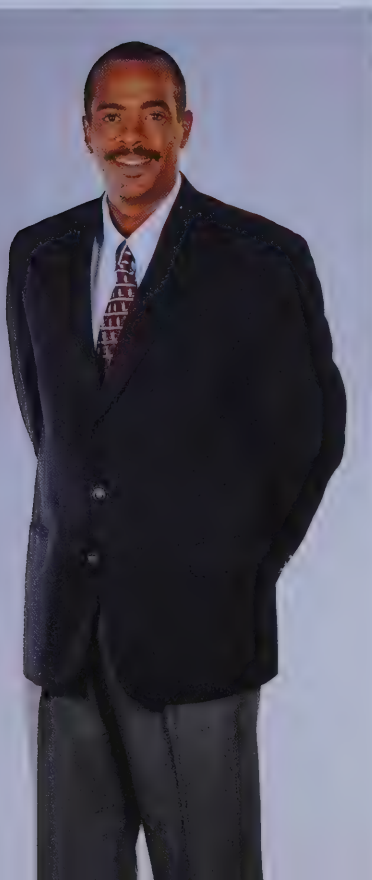
Our passion for our work and our drive for excellence move projects ahead.

designed to be the sole source of steam for the manufacturer's operations after its fossil fuel power plant shut down. Because of our team's consistent success rate, the client had every confidence that the project would be completed without downtime in production or disruption of utilities.

With a Ph.D. in environmental science and over 15 years of experience—particularly in the areas of water, wastewater, and solid waste management—Hugh Sealy, our Caribbean Region Manager, brings a strong competitive edge to our projects in the Caribbean. Having been raised in the Caribbean and educated in Canada, he has a detailed, working understanding of the organizational structure and practices of both the public and private sectors in the region. Hugh is the primary environmental engineer and project manager for the Belle Feasibility Study currently being conducted by Stantec's Environment team in Barbados. The goal of the study is to find and recommend feasible options for protecting the island's primary groundwater aquifer from contamination. Protection of the Belle aquifer—which provides approximately 40% of Barbados's drinking water—is crucial for the island's

sustainable development. We are proud that the Government of Barbados turned to Hugh and our Environment team for solutions to this urgent national problem.

In the US Southwest & West, a love of art is part of the extensive background Todd Rhoads contributes each and every day to a growing list of landscape architecture projects. Todd is a Principal with our Landscape Architecture group in Sacramento, California, and he is particularly experienced in coordinating the services of his team with those of our planning, architecture, and engineering disciplines to develop detailed site designs for park, recreational, and urban land facilities. He also offers clients expertise in using native, drought-tolerant plant species in landscaping. One project of which he is very proud is the California Veterans Memorial, a permanent shrine to all California war veterans located on the state capital grounds in Sacramento. With Todd acting as project manager, a multidiscipline team led by the Landscape Architecture group provided detailed site designs for the memorial, the focal point of which is a 30-foot (nine-metre) high granite obelisk sculpture with etched historical photographic images of the veterans. What makes the project memorable for Todd was seeing the veterans at the memorial dedication ceremony who were in some of the photos engraved in the obelisk. Todd's contributions to the project were personally recognized by the governor of California, who presented him with a plaque that now hangs in the lobby of our Sacramento office.



A recognized expert in the application of biological nutrient removal (BNR) for wastewater treatment and a Ph.D. in chemical engineering, Bob Dawson, Vice President and leader of Stantec's Company-wide Process Engineering group, contributes high-level process engineering and design skills to water and wastewater treatment projects throughout North America and the Caribbean. Working out of our Victoria, British Columbia, office, he provides senior technical input to water and wastewater design projects, mentors technical staff, assists senior management in our Environmental Engineering area, and provides leadership for our practice area leaders in water and wastewater treatment. His 29-year career at Stantec has taken him to over 30 countries, where he has completed numerous projects that have established Stantec's reputation as a world-class company in advanced wastewater treatment, particularly in BNR. For a number of years, he played an important role in Stantec's work on the New York-based PO-55 Nitrogen Removal Pilot Studies project, involving the design and implementation of pilot

Hugh Sealy

studies that resulted in the application of advanced BNR wastewater treatment technology at 14 New York City wastewater treatment plants. Over the next 10 years, the BNR application is expected to lead to a capital cost savings of between US\$500 million and US\$1 billion. The PO-55 Nitrogen Removal Pilot Studies project won the acclaim of the New York Association of Consulting Engineers, which presented the project partners with a Gold Award for excellence in the category of environmental engineering.

Versatile is the word that describes the background Barry Jones brings to his work with Stantec in the US Southeast. Along with 37 years of experience, Barry, the Branch Manager of the Richmond, Virginia, office and a Principal with our Transportation group, has cross-discipline expertise in surveying and civil engineering. His background includes land surveying, drainage and



Barry Jones

utility design, civil site design, hydraulic and hydrologic analysis, and transportation design, with a particular emphasis on the design of freeways, interstates, and urban roadways. He has also served as project manager on various projects with the Virginia, North Carolina, and New Jersey Departments of Transportation. Barry was the chief geometrician on the Interstate 664 Interchanges project in downtown Newport News, Virginia. Involving several major downtown streets, the interchanges required complex geometric configuration and structural planning and were designed to accommodate interstate highways, railroad yards, port access roads, and major and minor urban connections.

A winning combination of project management and technical skills is what Bonni Wengreniuk, Controls and Instrumentation Engineer with our Industrial Resources group in Edmonton, offers clients in the power generation sector across Alberta. Her technical experience includes design, configuration, commissioning, specification, and audits of instrumentation and control (I&C) systems. Working with a multidiscipline team of structural,

Bonni Wengreniuk

mechanical, and electrical engineers, Bonni was the I&C discipline lead for the installation of a gas turbine plant at Rainbow Lake in northern Alberta where temperatures can drop to minus 65 degrees Celsius (85 degrees below 0 Fahrenheit). The team provided detailed engineering as well as commissioning services for the project, and its work was implemented using modular cold weather construction concepts—modules of the design were completed in Edmonton and shipped to the northern site for installation—making it possible to finish the project on time (in only three months) and within budget.



Our Company would not be able to function well without the work of our many fine support personnel. Known across the Company for her strong organizational and people skills, Linda Tomlinson in our Kitchener, Ontario, office is an excellent example. Linda brings an extensive administrative and secretarial background in engineering to her role as Executive Assistant to the Vice President & Chief Operating Officer (COO) of our Canada Central region. Among her many responsibilities is looking after the day-to-day

Versatile is the word that describes our cross-discipline expertise.

schedule and activities of the COO, supervising the Kitchener support staff, and assisting with the running of the Kitchener office. She also serves as a conduit to the other offices in Canada Central, providing information and direction on policies and procedures where required. In 2002 Linda was part of the Building Management Committee that was responsible for planning the amalgamation of our Kitchener and Cambridge staff—about 275 people in all—into one Kitchener location. It was a major undertaking, and Linda was in charge of choosing all the artwork for the new office as well as dealing with various contractors and furniture suppliers. Thanks in part to her planning skills and input, the amalgamation was accomplished successfully.

These are but a few of the talented, energetic people who keep Stantec competitive. Our people are the reason our clients return to us with their business throughout the life cycle of their infrastructure and facilities projects.



Foote Field, Alberta

At Stantec teamwork is fundamental to our culture. We are a multidisciplinary, multioffice Company, and our people work together, sharing their skills, ideas, and enthusiasm to meet our clients' needs. We take pride in each other's achievements and treat each other with trust and respect.

We have teams for each of the disciplines in our five market segments—Buildings, Environment, Industrial, Transportation, and Urban Land. The excitement of working as a team in a fast-paced environment—achieving shared goals and successes—keeps our employees energized. At Stantec what is only a project vision today can become a reality tomorrow. Our teams

Teamwork

frequently work long hours, often within an aggressive time frame. Time and again they respond to the challenge by delivering solutions that satisfy our clients and uphold our reputation for excellence. It is because of teamwork that Stantec is a recognized, award-winning industry leader.

Through technology and effective communication, our teams are able to provide services from different geographic locations across the Company coordinated through a local office. One example of this collaboration is our work on the Health Research Innovation Centre, a new laboratory facility at

the University of Alberta in Edmonton. Stantec consultants in Alberta are providing architectural and engineering design services for the project, while staff in British Columbia are contributing their expertise in mechanical



RT-3000 Road Tester

drafting. In another example, our Construction/Quality Control Services group in Reno, Nevada, and the Pavement Engineering and Research group in Kitchener, Ontario, are contributing their talents and energy to a large-scale data collection and pavement

analysis study for the State of California Department of Transportation, which is being managed and delivered from our Sacramento office.

Our teams are able to share their passion for their work across borders and time zones because Stantec is becoming a virtual company, providing employees with access to systems and information around the clock, from anywhere throughout our organization. In 2002 we embarked on an initiative to develop a new integrated business enterprise technology system. With completion scheduled for the fourth quarter of 2003, the new system will combine our project management, financial management, human resources, and business intelligence systems and will be accessible 24/7 via the Web. Here again taking a team approach, we have assembled a team of approximately 50 people from throughout the Company who are dedicated to bringing the new system to life.

With our commitment to client satisfaction, teamwork at Stantec is not only an internal process. We also partner with clients—public, institutional, and private—who are following a continuing trend toward outsourcing of infrastructure and facilities projects. During 2002 we provided project management services for the development of the Saskatoon Law Courts in Saskatchewan through a public/private partnership. Since 1999 Stantec has also acted as a partner and the prime project manager for all capital projects, both new facilities and renovations, at the University of Alberta in Edmonton, underscoring our potential as a preferred long-term service provider throughout the infrastructure life cycle.



Teamwork is integral to everything we do at Stantec—from team management and team proposal writing to team technical execution. We are the Stantec team.

The business enterprise system team



Parkhill Road Bridge Restoration, Ontario

Clients

At Stantec clients determine the success of our services, which ultimately establishes our Company's success. To satisfy our clients, our professional services must be among the best in our industry. Being the best means striving for excellence, consistency, and effectiveness.

We pride ourselves on consistently meeting or exceeding our clients' expectations by delivering projects that are both functional and esthetically pleasing, that achieve a high level of user acceptance, and that provide a return on our clients' investment. Our projects touch every part of people's lives, and to ensure their integrity, we focus on listening carefully to our clients and translating what we hear into the creative fulfillment of their needs.

Our projects touch every part of people's lives.

In 2002 we won acclaim for our work for the City of Peterborough in Ontario on the Parkhill Road Bridge, an elegant, 92-year-old designated heritage structure that crosses the Otonabee River. Charged with restoring the historic bridge, our Transportation team in Ontario developed a design solution that was both cost effective for the client and sensitive to preserving the structure's

We focus on listening carefully to our clients and translating what we hear into the creative fulfillment of their needs.

decorative features. The rehabilitation was also designed to accommodate future widening of the two-lane bridge. Since the day of its official reopening, the restored structure has received renewed attention in the community as residents can once again appreciate its historic charm and beauty.

Working with the City of Cottonwood in Arizona, our Environment group provided planning, engineering, and construction administration services for a much-needed expansion and upgrade of the city's wastewater treatment facility. Our team's unconventional approach to the project—using an advanced biological nutrient removal process and multidisposal options—not only created additional sewage disposal capacity for the growing city but also resulted in significant water conservation and a new, sustainable water resource. In addition, the discharge of effluent through the new disposal system has transformed the once-dry Del Monte Wash, which runs through Cottonwood, into a lush riparian habitat, creating an environmental enhancement for the community. The restored brook has since been the focus of a local Boy Scouts troupe, which helped plant 150 tree cuttings downstream of the effluent discharge point that are now over eight feet (2.4 metres) tall.

In Edmonton, Alberta, our Industrial Resources group was given the job of designing and commissioning a new manifold system for an energy distribution and services plant. The project involved the complete replacement of all piping, with only four days available for installation of the new system during a scheduled plant shutdown. Adding to the urgency of the project timeline was the client's need to have the new system fit precisely into an existing

Cottonwood Wastewater
Treatment Facility, Arizona



Metering Manifold Replacement, Alberta

location—a formidable task considering the size of the unit. Through hard work and dedication, our team met these challenges, completing the project on time and under budget. The project earned glowing reviews from the client's senior pipeline engineer, who said, "The manifold fit like a glove into the existing space and onto the pile caps...You could not ask for a better fit."

During the year we also helped make a new exhibit and conference hall a reality for the Georgia National Fairgrounds in Perry, Georgia, assisting fair officials in satisfying a growing demand for high-quality exhibit and meeting space in the area as well as the desire for a signature building to announce the location of the fair. The design created by our Buildings consultants included a "great hall"—45,000 square feet (4,180 square metres) of column-free exhibit space that can be divided into three smaller exhibit halls—and a 25,000-square foot (2,322-square metre) space for breakout and conference rooms. Through its curvilinear shape and unique lighting, the facility—which fronts Interstate 75—also portrays a distinctive image to passersby. As the executive director of the fairgrounds enthusiastically says, "It's an upscale building and a great addition to the grounds!"

We are also proud of the services—planning, engineering, landscape architecture, survey/geomatics, and architectural design—that our Edmonton Urban

Land group provided for the developer of Summerside, a 243-hectare (600-acre) freshwater lake community reminiscent of Cape Cod. On assessing the client's needs, our team created a vision for Summerside that incorporates many of the key attributes that people want in choosing a community—attractive homes, spacious parks,



Georgia National Fairgrounds, Georgia

playgrounds, tree-lined walks, and natural areas—centered around a 13-hectare (32-acre) naturalized lake complete with a beach club offering recreational and meeting facilities. To be built over a 13- to 15-year time frame, Summerside will also include school, commercial, and office sites. With obvious delight in the new community, our client says that we played a key role in supporting their efforts to develop it.

These are only a few illustrations of how client satisfaction comes first for our Company. Our clients are the ultimate decision makers in contracting our services, and we work diligently to meet or exceed their expectations by recognizing their needs and sharing their concerns. We continue to strive for excellence, consistency, and effectiveness in all our services.

We pride ourselves on consistently meeting or exceeding our clients' expectations.

Summerside Community Development, Alberta



Our ideals are those shared by all good companies—good governance, transparent accounting, and the delivery of long-term shareholder value.

At Stantec we embrace the highest standards of personal and professional integrity, and our business principles are never compromised. Our ideals are those shared by all good companies—good governance, transparent accounting, and the delivery of long-term shareholder value.

Our business is based on solid practices—a matrix organizational structure that balances the operational and technical aspects of our Company; a focused business model that allows us to manage risk while pursuing continued growth; a Practice Management & Enhancement team dedicated to ensuring good professional practices and loss prevention; and training and development for employees

Integrity

throughout our organization.

As our Company evolves, we continue to invest in staff training. In 2002 we introduced TIE, an initiative focused on having the best-trained, best-informed, and best-equipped employees in our industry in order to improve our client service delivery.

At Stantec we know the integrity of a company's board of directors sets the tone for its operations, and we have in place a remarkable group of eight qualified, knowledgeable directors. All members of our board fulfill their roles guiding the management of the Company's business and affairs while adhering to sound corporate governance practices. Our corporate governance model complies fully with the corporate governance guidelines of the Toronto Stock Exchange (TSX), addressing practices in three major areas: stewardship, independence, and expertise.

Stewardship

In assuming responsibility for the stewardship of the Company, our board participates—once yearly—in Stantec's strategic planning process with senior management along with periodically reviewing management's performance on key strategic and operational objectives. Succession planning, particularly for the President & CEO, also comes under board review as well as compensation of board

members. Other responsibilities include identifying the Company's principal risks and regularly monitoring the systems in place for managing these risks in order to protect shareholder value. Our board also performs the important task of defining the responsibilities of management by establishing limits of authority and ensuring the integrity of internal control and management information systems.

Independence

To comply with the guidelines for independent governance, we maintain a board structure in which all directors other than our Chairman and President & CEO are "unrelated" to Stantec. As well, the board's two committees, the Corporate Governance and Compensation Committee and the Audit Committee, are both composed entirely of outside directors. Each board meeting includes a session held without the presence of management. In addition, the Corporate Governance and Compensation Committee carries out performance assessments of the board and its committees on an annual basis and may authorize individual directors to consult outside advisors at the Company's expense.

Expertise

One step we take to achieve compliance with the TSX guidelines for ensuring board quality and expertise is to host management presentations at board meetings throughout the year on topics relating to different aspects of the Company's business. We also hold at least one meeting per year at a location other than Stantec's corporate office to give directors the opportunity to meet with local managers in our four regions. Additional practices include maintaining a Directors' Reference Manual, which is updated regularly, and

having measures in place to ensure the financial literacy and expertise of our Audit Committee. When necessary, we provide orientation and education for new directors.

Along with complying with the TSX guidelines, our board is taking initiative in the area of good governance by voluntarily adopting the use of the fair value-based method of expensing stock options, currently a non-mandatory standard set by the Canadian Institute of Chartered Accountants.

In October 2002 we received national recognition for our corporate governance model by the *Globe and Mail's* Report on Business, which rated Stantec among the top 15% of 270 publicly traded companies on the TSX for our board composition, compensation, shareholder rights, and disclosure practices. With such good governance practices to our credit, we believe our corporate reputation has never been stronger.

City of McDonough Administration
Building, Georgia



At Stantec profits are the ultimate measure of how efficiently we provide clients with the best professional services for their needs. Profits are required to succeed and to grow.

Our Company was founded in 1954, and since that time we have maintained an enviable record of 49 consecutive years of uninterrupted profitability. What is more, since our initial public offering in 1994, our gross revenue, operating income, net income, and basic earnings per share have grown at an impressive compound average annual rate of 21.7%, 35.1%, 20.8%, and 15.3% respectively. Our consistent performance has improved shareholder value by over 300% during this period.

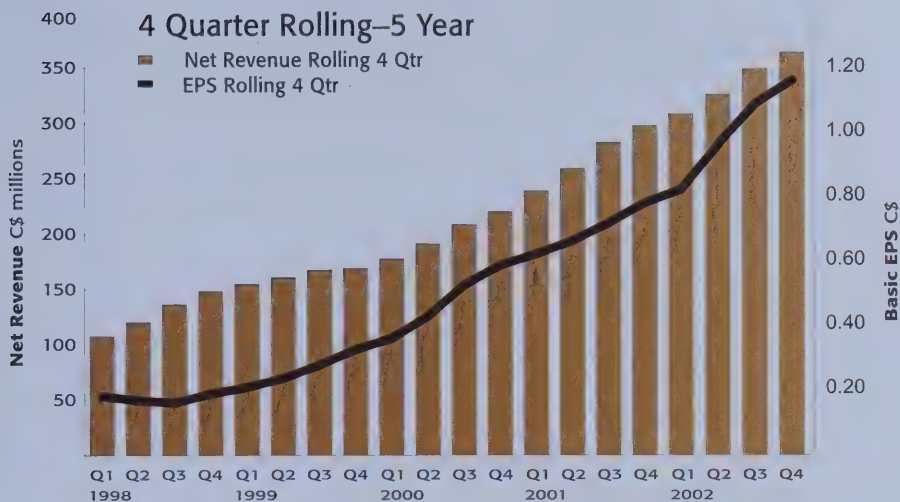
This consistency and stability have given our Company the balance sheet strength to increase our revenue and staff resources through a combination of acquisitions and internal hiring. Since 1994 we have integrated over 40 firms and more than 2,500 employees into the Stantec family from throughout

Profits

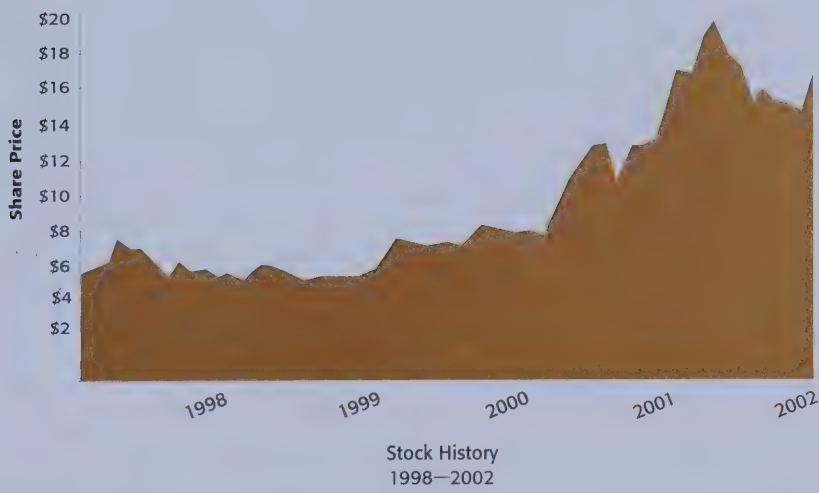
Canada, the US, and, more recently, the Caribbean. We now have approximately 3,500 employees operating out of 40 offices across the Company. In 2002 our size earned us a #61-place ranking on the *Engineering News Record's* list of Top 150 International Design Firms, rising from #76 in 2001.

Going forward, the outlook for our Company and for maintaining our record of profitability remains positive. We can continue to mitigate our geographic economic risks because we operate in five Canadian provinces, 11 US states, and selected international markets. We can continue to mitigate our services risks because we operate in five distinct market segments. And we can continue to mitigate timing risks because we operate in all five phases of the infrastructure and facilities project life cycle. Our Company is well positioned to continue to succeed and grow.

We have maintained an enviable record of 49 consecutive years of uninterrupted profitability.



Stock Performance





We are confident we can achieve our goal because we have dedicated employees with the ability to execute our proven operating strategy through a sustainable business model that enables us to continue to grow.

MD&A

Management's Discussion and Analysis

This discussion and analysis of Stantec's operations and financial position should be read in conjunction with the Company's 2002 consolidated financial statements and related notes, as well as the Message to Shareholders and management discussions included in this annual report.

This report includes forward-looking statements that are based on current expectations and therefore subject to risks and uncertainties. Many internal and external factors may cause actual results to differ materially.



Jan Mulligan, Don Wilson, and Dan Lefaiivre

Vision, Core Business, and Strategy

Stantec provides professional services in infrastructure and facilities. The Company's comprehensive services in planning, engineering, environmental sciences, architecture, interior design, landscape architecture, surveying, and project economics support clients at every stage, from initial concept and financial feasibility to project completion and beyond. Our vision is to become one of the top 10 global design firms, and to achieve this objective, we will continue to pursue excellence in design

and project delivery and to follow an orderly growth plan building upon our solid foundation. Since our initial public offering in 1994, we have grown our revenue and earnings at a compound annual growth rate of over 21% through a combination of acquisitions and internal growth. We are confident we can achieve our goal because we have dedicated employees with the ability to execute our proven operating strategy through a sustainable business model that enables us to continue to grow.

Stantec's services are delivered through a focused business model that allows us to manage risk while pursuing our objective of continued revenue and earnings growth. Focused on the infrastructure and facilities sector, it is a three-dimensional model that incorporates diversification across geographic regions, practice areas, and all phases of the project life cycle. The model not only frees us from relying on a single economic source for our business but also enables us to service both the public and private sectors, brings us closer to the client, and allows us to act as a principal consultant to the client from initial project conception to completion.

Geographic Diversification

Currently, our geographic reach includes four economic regions in North America—Canada West, Canada Central, the US Southwest & West, and the US Southeast. In total we provide services in five provinces and 11 states. We also serve selected international markets, with an office presence in the Caribbean (Barbados), as well as undertaking individual project assignments with clients in designated areas around the world. In 2002 we achieved several key objectives through acquisitions—establishing a more significant presence in Canada in the Greater Toronto Area, Ottawa, Regina, Saskatoon, Vancouver, and Victoria. In the US we strengthened our existing presence in Sacramento, California, and Columbia, South Carolina. Our plan is to continue with strategic in-filling in all current regions,

particularly in areas where we have not yet reached a mature market presence. Our target is to achieve a market penetration of \$10 million in revenue per one million area population. In addition, our strategy includes expansion outside our existing regions where opportunities arise to acquire firms that meet our integration criteria or to grow organically. We seek companies that are known industry leaders with a reputation for being among the best in their area of expertise and geographic location.

Practice Area Specialization

Practice area diversification is achieved by focusing on 15 distinct specialist practice areas that can generally be grouped into five broad market segments—Buildings, Environment, Industrial, Transportation, and Urban Land. Through cross-marketing of our services among our regions and practice areas, we are able to offer a full complement of services delivered

through one source to clients in both the public and private sectors. This strategy ensures that our income is not dependent on any single service or client source. In 2002 we achieved our goal of developing new services in the power, resources, and chemicals practice areas through an acquisition in Alberta, Canada. Our objective is to continue to increase the depth of our expertise in our current practice areas, particularly in the Transportation and Environmental Infrastructure and Architectural and Building Engineering areas.

Life Cycle Solutions

Our business model also includes provision of services in all five phases of the project life cycle—planning, design, construction, maintenance, and decommissioning. This inclusive approach allows us to supply services during periods of strong Highway 403/LINC Interchange, Ontario



new capital project activity (design and construction) as well as periods of lower new project capital expenditures that are focused on maintenance or rehabilitation spending. Beginning with the planning and design stages, we provide conceptual and detailed design services, feasibility studies, and plans and specifications. During construction we act as the owners' representative, providing project management and resident engineering services, but by focusing exclusively on fee-for-service type work, we do not take on construction risk. Finally, we supply ongoing services beyond project completion in areas such as facilities and infrastructure management, performance engineering, and decommissioning solutions for taking facilities out of active service. In 2002 we fulfilled our commitment to grow the planning phase of our business by expanding our project and program management services through an acquisition in Ontario, Canada. Our strategy going forward is to lever these services, particularly in our US markets, in order to further position and differentiate Stantec as a value-added service provider.

Through the combined resources of our staff, we are able to undertake infrastructure and facilities projects of any size for both public and private sector clients. Currently, the majority of our projects are small to mid-sized projects with a capital construction value of less than \$100 million, which represent the largest share of the infrastructure and facilities market. This focus continues to ensure that we do not rely on large, single projects and that no single client or project accounts for more than 5% of our business. In addition, we continue to pursue larger projects with a capital value of more than \$100 million, particularly in our more mature regions and practice areas, and these projects will increase in number as the Company grows.

There is nothing simple about creating the kind of company that can operate effectively in any business environment while continuing to pursue orderly growth. We are confident we can achieve our vision of becoming one of the top 10 global design firms because we have employees with the passion and commitment to execute our operating strategy. Our employees are our most important competitive asset, and we are committed to their continuing training and development. Our goal is to have among the best-trained, best-informed, best-equipped staff in our industry in order to improve our client service delivery. With our employees we are ready to take advantage of any opportunity that develops in the infrastructure and facilities industry.

Key Performance Drivers

At Stantec our success depends on our ability to attract and retain qualified people; maximize market opportunities; find, acquire, and integrate firms into our operations; finance our growth; and achieve a high degree of market penetration in the geographic areas we serve. Based on our performance in these areas, we believe we are well positioned to continue to be a major provider of professional services to the infrastructure and facilities industry.

Our people are our most valuable resource
—their combined knowledge forms the
basis of the solutions we deliver to clients.

Workforce

The first essential driver to Stantec's success is our people. Our people are our most valuable resource because their combined knowledge forms the basis of the solutions we deliver to clients. To reach our goal of becoming one of the top 10 global design firms, we are growing our people through a combination of internal hiring and acquisitions. We measure our performance in this area by total staff numbers and project revenue at year-end. In 2002, for example, our workforce increased 18.5% to approximately 3,500 from 2,950 in 2001, largely as a result of the 10 acquisitions completed during the year.

To attract and retain qualified employees, Stantec offers opportunities to be part of a multidiscipline team working on challenging projects with some of the best people in our industry. We also provide competitive salaries, comprehensive benefits, and opportunities for professional development and enhancement. Early in 2002 we hired a Director of Learning to implement TIE—a new initiative focused on our commitment to having the best-trained, best-informed, and best-equipped employees in our industry. We are now initiating a number of new training modules across the Company, including an online Stantec orientation and programs in project and financial management. We are also installing a new business enterprise system, which will give employees access to more—and more timely—information as well as streamline our business processes. The new system is scheduled for implementation in the fourth quarter of 2003.

In addition, Stantec offers Canadian employees a Company-assisted share purchase plan to help align employee and Company interests.

Industry Environment/Market Opportunities

Another key driver to Stantec's success is our ability to maximize market opportunities for growth. We recognize that growth is necessary in order to enhance the depth and breadth of our expertise, broaden our service provision, increase our shareholder value, provide expanded opportunities for our employees, and support our information technology systems. Over the last nine years, we have integrated a total of approximately 2,600 employees into our operations in Canada, the US, and the Caribbean through a combination of direct hiring and acquisitions. We are confident that we can continue to capitalize on acquisition opportunities because we are operating in an industry sector which is estimated to generate over US\$50 billion in fees in North America alone. According to the *Engineering*

News Record, the largest 500 companies in the US generated over US\$40 billion in fees in 2001. The infrastructure and facilities sector is a highly fragmented market, currently populated by over 100,000 firms, the majority of which have fewer than 25 employees. As a US\$273 million company, Stantec presently has less than a 1% market share. Our strategy for increasing this percentage is to combine internal growth with the acquisition of smaller firms that believe in our vision and want to be part of a challenging, dynamic company, which means that we have extensive upside potential for growth. We foresee that if, for example, our overall market continues to grow at a rate of 3% and Stantec continues to grow at an average of 20%, in 10 years the top 500

Stantec Centre, Alberta



companies will be generating over US\$67 billion in fees and we will be generating fees of US\$1.7 billion, which would still represent less than a 2.5% market share with few market constraints.

In 2002 we completed 10 acquisitions in our US and Canadian regions, adding approximately 550 employees to our operations. The integration of acquired companies begins immediately following the acquisition closing date and may take between six months and three years. Stantec provides immediate integration with Company-wide information technology and financial management systems, as well as “back office” support through our corporate office, allowing new colleagues to focus on client service delivery.

Stantec’s acquisition program is managed by an acquisition team dedicated to supporting the Company’s growth objectives. The team is responsible for identifying and pricing prospective acquisitions, undertaking and coordinating due diligence, negotiating and closing transactions, and assisting with the integration of employees and systems.

Financing

Stantec’s success is also predicated on our continuing ability to finance our growth. Adequate financing gives us the flexibility to make appropriate investments in our future. Over the past nine years, Stantec has grown at a compound annual rate of 21.7%. To fund this growth, the Company requires cash that has been generated from both internal and external sources. Historically, we have completed acquisitions using mostly cash and notes, with very little use of the Company’s shares. Our sustainable growth rate, without additional equity financing, is approximately 15% per year.

We have issued shares at times when our growth has outpaced our ability to generate cash inside the Company. Our practice is to raise additional equity after we have gone through a period of fast growth and need to replenish our cash reserves, pay down debt, or strengthen the Company’s balance sheet. To date we have issued additional shares for these purposes on three occasions—in 1997, 2000, and 2002.

During 2002 the Company invested \$38.5 million in acquisitions, \$17.4 million of which was paid as initial cash payments. We also repaid debt of \$18.6 million during the year. Sources of cash in 2002 included \$36.0 million generated through operations and \$29.7 million generated through financing activities, including net cash proceeds of \$18.3 million raised in March through an equity issue of 1,200,000 common shares.

Currently, Stantec targets to maintain a net debt to equity ratio of less than .5 to 1. We have chosen this target because we believe that keeping our ratio at or below this level will allow us to meet our growth objectives while maintaining a healthy balance sheet.

We recognize that growth is necessary in order to enhance the depth and breadth of our expertise, broaden our service provision, increase our shareholder value, provide expanded opportunities for our employees, and support our information technology systems.

The Company has an acquisition credit facility with a major Canadian chartered bank consisting of US\$17.5 million, all of which was used at December 31, 2002. In addition, we maintain an operating line of credit of C\$20 million, which was unused at the end of the year.

At the end of 2002, the Company carried work in progress and accounts receivable equal to 101 days of revenue. This number compares to 101 days at the end of 2001 and an industry median of approximately 100 days. Our target is to maintain this ratio under 100 days. We expect to achieve this goal through a combination of initiatives, including implementing more timely billing for services, more timely and better information for project managers for follow-up, improved contractual terms with clients, and improved project management procedures.

Market Penetration

Also key to Stantec's success is achieving a certain level of market penetration in the geographic areas we serve. Our goal is to be among the top three service providers in our geographic regions and practice areas. This

Henderson Pavilion at Liberty Pointe, Nevada



level of market presence gives us increased opportunities to work for the best clients, obtain the best projects, and attract the best employees in a region. It is also important for building or maintaining the critical mass of staff needed to generate consistent performance and support regional infrastructure. In addition, the top three firms are less likely to be affected by downturns in regional economies.

We are a knowledge-based company, and our employees include some of the brightest and best professionals in our industry.

Capability to Deliver Results

People

Our Company is confident that we can continue to deliver results because we have an organization of dedicated people with the ability to execute our proven operating strategy. We are a knowledge-based company, and our employees include some of the brightest and best professionals in our industry. Currently, our workforce is made up of about 1,650 professionals, 1,150 technical staff, and 700 support personnel. These numbers grew by approximately 550 in 2002. Employee numbers are expected to continue to grow in 2003 and beyond as we pursue our growth plan. Because of our “diversified portfolio” approach to business—operating in different regions and practice areas—we are generally able to redeploy a portion of our workforce in response to changes in local, regional, or national economies or practice area demand. At present, we see no constraints on the general availability of qualified staff for our operations. There will always be some

areas where it will be difficult to find appropriate staff during certain periods. However, as we increase in size, we are better able to address these issues as we become more capable of utilizing staff from other parts of the Company, either through temporary relocation or work allocation. We are continually improving our capability to work on projects from multiple office locations through Web-based technology.



Information and Communications
Technology Building, Alberta

Capital Resources

Stantec's financial condition is healthy and liquid. We have a strong balance sheet with a sustainable level of debt and unused capacity in our credit facilities, giving us the flexibility to continue to support our growth. Unless funding is required for a significant event, such as an acquisition, we do not anticipate the need to seek additional equity financing in 2003. We are confident that our current and planned debt/equity ratios are appropriate for meeting our existing commitments and obligations and achieving targeted results.

In addition to our regular capital expenditures, we are investing in an expansion of our premises at our Edmonton, Alberta, office in order to consolidate our staff into one location. This expansion is being financed by a short-term construction loan that will be refinanced following completion of the facility either through an extension of our mortgage or a sale and leaseback of the entire complex.

Systems and Processes

We continue to develop our internal systems, processes, and procedures to support our growth plan. Over the past two years, we have concentrated on ensuring that our information technology systems are secure, robust, and more manageable by moving to 100% hardware and software compliancy and compatibility across the Company. The next phase of improvement, which was initiated in 2002, is the implementation of a new business enterprise system to replace our existing project management, financial reporting, time entry, human resources, and business intelligence systems. Implementation of the new system is scheduled to begin in the fourth quarter of 2003.

Results

Overview of 2002

- Shareholders' equity—During Q1 02 the Company raised net cash proceeds of \$18,340,000 through an equity issue of 1,200,000 new common shares.
- During Q2 02 Stantec's shareholders approved the subdivision of the Company's common shares on a two-for-one basis. All references to common shares and per share amounts in this management's discussion and analysis have been restated to reflect the stock split on a retroactive basis.
- Growth by acquisition—We successfully completed 10 acquisitions during 2002, complementing our existing regions throughout Canada and the US.



Williams Cafeteria,
North Carolina Agriculture and
Technical State University,
North Carolina

- Earnings per share growth—Our basic earnings per share increased 26.1% from \$0.92 in 2001 to \$1.16 in 2002.
- Divestitures—During 2002 we divested our 50-person operation in Gatineau, Quebec, as well as our minority interest in Linnet Geomatics International Inc. based in Winnipeg, Manitoba.
- New business enterprise system—In 2002 the Company initiated the development of a new, integrated business enterprise system for managing our projects, financial information, human resources, and business intelligence. This project will carry over into the next fiscal year, with implementation to take place during the latter part of 2003. The new system will support our growth objectives.
- Capital spending—In 2002 \$38.5 million (including initial cash payments and non-cash consideration) was invested in acquisition opportunities.

We have a strong balance sheet with a sustainable level of debt and unused capacity in our credit facilities, giving us the flexibility to continue to support our growth.

Geographic Diversification

During 2002 we completed 10 acquisitions to augment our existing operations in our current geographic regions. Four of the acquired firms had operations in Ontario in the Greater Toronto Area, which significantly increased our presence in Canada Central, and three acquisitions strengthened our position in the Vancouver, British Columbia, area, also in Canada. Each of our US regions was also complemented by one acquisition in 2002.

Practice Area Specialization

Because revenues and income tend to vary over time with fluctuating economic conditions, our Company maintains a diverse range of services in

15 practice areas. In 2002, primarily through the acquisition of GKO Engineering, the Company added services in the areas of power, resources, and chemicals.

Project Life Cycle Services

One of our Company's goals is to provide services to clients throughout the infrastructure and facilities project life cycle, supporting clients at every stage—from initial concept and financial feasibility to project completion and beyond. With the acquisition of The RPA Group in 2002, our staff resources in program and project management tripled, which allowed us to move into a leading position in the program and project management services sector in Canada.

Operations

Our Company provides knowledge-based solutions to infrastructure and facilities projects through value-added professional services and technologies, principally under fee-for-service agreements with clients. In performing our services, we incur certain direct costs for using subconsultants, purchasing equipment, and other expenditures that are recoverable directly from our clients. The costs billed to clients are included in our gross revenue, with the costs of these items deducted from gross revenue to arrive at net revenue. For this reason, we believe that net revenue is a more accurate measure of the revenue earned for services provided directly by our Company.

The following table summarizes Stantec's key operating results on a percentage of net revenue basis and the percentage increase in the dollar amount of these results from year to year:

	Percentage of Net Revenue			Percentage Increase	
	2002	2001	2000	2002 vs 2001	2001 vs 2000
Gross revenue	117.3%	119.5%	120.0%	20.0%	34.4%
Net revenue	100.0%	100.0%	100.0%	22.2%	35.0%
Direct payroll costs	47.6%	46.5%	47.0%	24.9%	33.8%
Gross margin	52.4%	53.5%	53.0%	19.9%	36.1%
Administrative and marketing expenses	39.9%	40.9%	39.3%	19.0%	40.7%
Depreciation on capital assets	2.6%	2.4%	2.4%	34.2%	31.5%
Goodwill charges	0.0%	0.6%	0.5%	(100.0%)	37.7%
Operating income	9.9%	9.6%	10.8%	27.9%	21.3%
Net interest expense	(0.7%)	(0.6%)	(1.0%)	58.5%	(26.1%)
Foreign exchange gains (losses)	0.0%	0.4%	(0.1%)	(106.9%)	(549.7%)
Share of income (loss) from associated companies	0.1%	(0.2%)	(0.2%)	(155.9%)	67.7%
Income before income taxes	9.3%	9.2%	9.5%	25.1%	31.4%
Income taxes	3.6%	4.0%	4.4%	11.6%	23.7%
Net income	5.7%	5.2%	5.1%	35.5%	37.0%

Quarterly Operating Results

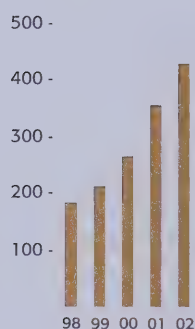
(in millions of dollars, except per share amounts)

	2002				2001			
	31 Dec	30 Sept	30 Jun	31 Mar	31 Dec	30 Sept	30 Jun	31 Mar
Gross revenue	101.8	137.9	104.2	84.6	84.6	112.2	87.0	73.1
Net income	5.8	6.3	5.2	3.5	4.2	4.6	3.7	2.9
EPS – basic	0.32	0.35	0.28	0.21	0.25	0.27	0.22	0.18
EPS – diluted	0.31	0.33	0.27	0.20	0.24	0.26	0.22	0.17

The quarterly earnings per share on a basic and diluted basis are not additive and may not equal the annual earnings per share reported. This is due to the effect of shares issued or repurchased during the year on the weighted average number of shares. Diluted earnings per share on a quarterly and annual basis are also affected by the change in the market price of the Company's shares.

Gross Revenue

\$ Millions



Gross Revenue

In 2002 Stantec's gross revenue increased to \$428.5 million, or 20.0%, from \$356.9 million in 2001. The effect of the four acquisitions we completed in 2000, the six completed in 2001, and the 10 completed in 2002 accounted for \$65.9 million of this increase, with net internal growth contributing \$3.2 million. The remaining increase of \$2.5 million is the impact of changes in the foreign exchange rates on revenues earned by foreign subsidiaries. In 2001 our gross revenue increased \$91.3 million, or 34.4%, to \$356.9 million from \$265.6 million in 2000. The acquisitions completed in 2000 and 2001 contributed to this increase—\$74.3 million—with net internal growth contributing \$17.0 million.

During Q4 02 gross revenue increased \$17.2 million, or 20.2%, to \$101.8 million from \$84.6 million in Q4 01. Approximately \$14.9 million of this increase resulted from the acquisitions completed in 2000, 2001, and 2002 and net internal growth of \$2.7 million, offset by the effect of the change in foreign exchange rates of \$0.4 million.

Revenue earned in Canada during 2002 increased to \$238.8 million from \$170.7 million in 2001, while revenue generated in the US increased to \$180.3 million from \$175.4 million. Revenue earned in our International region in 2002 was \$9.4 million, compared to \$10.8 million in 2001. The allocation of revenues between Canada, the US, and internationally depends partly on acquisition activity during the current and previous years. In 2002 eight of the 10 acquisitions completed were based in Canada, in 2001 four of the six acquisitions completed were based in the US, and in 2000 all of the acquisitions completed were based in the US. In 2001 US revenues surpassed Canadian revenues due to growth through acquisitions

in the US in 2000 through 2001. In 2002, with the emphasis shifting to acquisitions in Canada, Canadian revenue once again exceeded US revenue. We expect Canadian-based revenue in 2003 to continue to exceed US-based revenue as a result of our 2002 acquisition activity and anticipated economic strength in Canada.

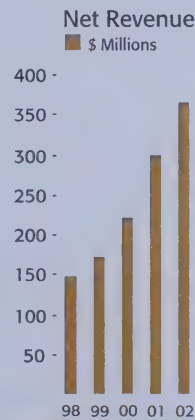
Net Revenue

In 2002 net revenue increased \$66.3 million, or 22.2%, to \$365.1 million from \$298.8 million in 2001. The acquisitions we completed in 2002, 2001, and 2000 contributed \$53.5 million to this growth, internal growth contributed \$10.6 million, and the remaining increase of \$2.2 million was due to the change in foreign exchange. In 2001 net revenue increased 35.0%, or \$77.5 million, to \$298.8 million from \$221.3 million in 2000. Acquisitions contributed \$67.4 million to this increase, with internal growth contributing \$10.1 million.

During Q4 02 net revenue increased 21.6% to \$82.8 million from \$68.1 million in Q4 01. Of this increase, acquisitions accounted for \$11.1 million and internal growth accounted for \$4.0 million, offset by the effect of changes in foreign exchange of \$0.4 million.

Gross Margin

At Stantec our gross margin is calculated as net revenue minus direct payroll costs. Direct payroll costs include the cost of salaries and related fringe benefits for labor hours that are directly



Canada Sound Stage, Saskatchewan

associated with the completion of projects. Labor costs and related fringe benefits for labor hours that are not directly associated with the completion of projects are included in administrative and marketing expenses. Our gross margin percentage is affected by a number of factors, including the relative magnitude of revenue earned in Canada and the US as well as the relative magnitude of revenue earned in our various market segments or practice areas. Our US operations tend to achieve higher gross margins on their projects, offset by higher administrative and marketing expenses as a percentage of net revenues. Certain market segments, including some industrial projects, tend to have lower gross margins, offset by lower administrative costs. In 2002 our gross margin decreased to 52.4% from the 53.5% reported in 2001 and the 53.0% reported in 2000. This decline in gross margin resulted from a decrease in US margins due to the softening of the US economy, an increase in Canadian revenues relative to US revenues, and our increased presence in the industrial sector.

Administrative and Marketing Expenses

Administrative and marketing expenses were \$145.5 million in 2002, or 39.9% of net revenue, compared to \$122.3 million (40.9% of net revenue) in 2001. 2001 administrative expenses increased \$35.4 million from \$86.9 million in 2000 (39.3% of net revenue). As noted above, our US operations generally report slightly higher administrative and marketing expenses than those of our Canadian operations. In addition, our growth continues to result in significant employee integration costs, particularly for acquisitions. The increase in 2001 from 2000 levels was a result of the acquisition activity that occurred in the US Southwest & West region in 2001 and prior years as well as the increase in the relative magnitude of revenues earned in the US

Ulatis Creekwalk, California



in 2001 versus 2000. In 2002 eight of the 10 acquisitions completed were Canadian based, resulting in higher revenues generated in Canada. As a result, although integration costs were still incurred in 2002, the offset of increased operations in Canada resulted in an overall reduction in administrative and marketing expenses as a percentage of net revenues. We expect these costs to remain in the range of 40 to 42% of net revenue into 2003.

Depreciation on Capital Assets

Depreciation of \$9.5 million was expensed in 2002, compared to \$7.1 million in 2001 and \$5.4 million in 2000. The Company's depreciation expense, as a percentage of net revenue, was consistent at 2.4% for 2000 and 2001. The increase in 2002 to 2.6% of net revenue is due mainly to the increase in capital spending on leasehold improvements and office furniture and equipment to relocate and consolidate staff in our Edmonton, Kitchener, and Calgary offices.

Net Interest Expense

The Company's net interest expense increased \$0.9 million to \$2.6 million in 2002, compared to \$1.7 million reported in 2001. This increase in net interest expense is due to higher balances of promissory notes and bank loans outstanding during 2002, which resulted in higher interest payments of \$1.3 million. The increase in expense was partially offset by the interest income earned on the additional cash balances carried during the year.

Foreign Exchange Gains (Losses)

The Company recorded foreign exchange losses of \$0.1 million in 2002, compared to foreign exchange gains of \$1.1 million in 2001. This decrease in foreign currency gains is due to the change in accounting policy outlined in note 1 to the financial statements related to the translation of US-based foreign subsidiaries. Due to the change in translation method, current exchange gains and losses have been deferred and included in a separate component of shareholders' equity, and these fluctuations no longer impact our operating results. The foreign exchange losses reported in 2002 resulted from the translation of the results of our non-US-based subsidiaries as well as the net impact of gains and losses on US dollar-denominated assets or liabilities carried in our Canadian-based subsidiaries.

Share of Income (Loss) from Associated Companies

The Company's share of income from associated companies was \$0.4 million in 2002, compared to a \$0.6 million loss in the previous year. The majority of the loss recorded in 2001 was related to Linnet Geomatics International Inc., an investment in which we held a minority interest. We divested this investment in 2002.

Goodwill

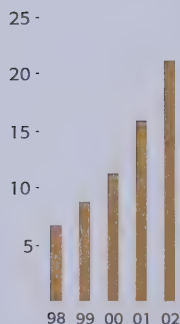
In accordance with the recommendations of the Canadian Institute of Chartered Accountants (CICA) effective January 1, 2002, goodwill is no longer amortized in our financial statements. As set out in CICA Section 3062, we perform impairment tests at each year-end to ensure there has been no impairment in the carrying value of our goodwill. An impairment test was performed at December 31, 2002, comparing the fair value of the Company with our carrying value. Since the fair value exceeded our carrying value, no adjustment was necessary to the carrying value of our goodwill.

Income Taxes

The effective tax rate for Stantec in 2002 was 39.0%, compared to 43.7% in 2001 and 46.2% in 2000. This rate reduction was driven primarily by a drop in Canadian statutory rates and by the elimination of non-deductible goodwill charges. The 2.8% decrease in the 2002 Canadian statutory rates resulted from a 2.0% reduction in the basic federal tax rate and a 0.8% reduction in the provincial corporate tax rate. In 2001 the impact of non-deductible goodwill charges on Stantec's effective tax rate was 2.2%. With the reclassification of our US business as self-sustaining operations in 2002, our effective tax rate is no longer influenced by the amount of non-taxable translation gains or losses on our US-based operations.

Net Income

\$ Millions

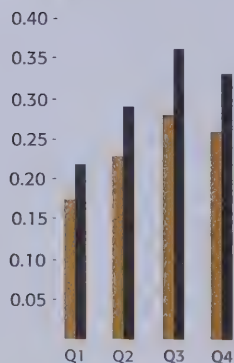


Net Income

Net income in 2002 was \$20.8 million, representing a 35.5% increase from \$15.4 million in 2001. Our 2001 net income increased 37.0% from \$11.2 million in 2000. Net income as a percentage of net revenue was 5.7% in 2002, compared to 5.2% in 2001 and 5.1% in 2000.

Basic EPS \$

Basic EPS 2001
Basic EPS 2002



Basic earnings per share in 2002 were \$1.16, compared to \$0.92 in 2001. Diluted earnings per share were \$1.11 for 2002 and \$0.89 for 2001.

The weighted average number of shares outstanding in 2002 was 17,987,358, compared to 16,742,730 in the previous year. This change resulted from the issue of 1,200,000 shares in Q1 02 as well as the net impact of the exercise of options (29,300 shares), repurchases by the Company under a Normal Course Issuer Bid (54,600 shares), and the issue of 261,680 shares as consideration for acquisitions in 2002. The actual number of shares outstanding at December 31, 2002, was 18,282,720, compared to 16,846,340 at the end of 2001.

Financial Condition and Liquidity

Cash flow from operating activities was \$36.0 million in 2002, compared to \$13.4 million in 2001 and \$39.1 million in 2000. The 2001 cash flow from operations was impacted by the working capital deficiency acquired on the Spink acquisition and the increase in the Company's total investment in accounts receivable and work in progress from 98 to 101 days. During 2002 we maintained our level of investment in accounts receivable and work in progress at 101 days.

In 2002 \$29.2 million in cash was used in investing activities, compared to \$11.4 million in 2001. \$13.6 million of this difference resulted from the increased amount of cash paid for acquisitions completed in 2002. The balance of the difference was the increase in cash paid for capital expenditures, particularly for renovations to and expansion of Stantec Centre located in Edmonton. The amount of cash used in investing activities in 2001 totaled \$11.4 million, compared to \$38.0 million in 2000. \$15.8 million of this difference was due to the lower amount paid for acquisitions in 2001, and the remainder related to the increased investment in capital assets in 2000 on the purchase of Stantec Centre.

In 2002 \$29.7 million in cash flow was generated from financing activities, compared to \$12.6 million used in 2001 and \$1.2 million generated in 2000. During the year the Company issued an additional 1.2 million common shares for net cash proceeds of \$18.3 million, which was used to reduce our bank indebtedness. In addition, we borrowed \$30.0 million on our existing acquisition credit facility. During Q2 02, as provided for in our credit facility agreement, the Company's acquisition credit facility was converted into a four-year term loan repayable in equal quarterly payments beginning September 2002.

Our Company maintains an operating line of credit with a major Canadian chartered bank in the amount of \$20 million, none of which had been used at December 31, 2002 (\$15.8 million had been used at December 31, 2001).



E.L. Smith Water Treatment Plant UV Addition, Alberta

Our shareholders' equity increased \$44.6 million to \$152.1 million in 2002 from \$107.5 million in 2001. This increase resulted from \$20.8 million of net income and the net impact of shares issued and repurchased (\$21.7 million) during the year. 1,200,000 shares were issued under a public offering (\$18.8 million), 29,300 shares were issued on the exercise of options (\$0.1 million), 54,600 shares were repurchased pursuant to the Normal Course Issuer Bid (\$0.9 million), and 261,680 shares were issued as consideration for acquisitions completed in 2002 (\$3.7 million). Two new items also impacted the change in shareholders' equity—recognition of the fair value of share-based compensation (\$45,000) and the cumulative translation account (\$2.0 million) arising on the translation of our US-based foreign subsidiaries.

The Normal Course Issuer Bid was renewed in 2002 and allows the Company to repurchase up to 549,250 shares. We continue to believe that, from time to time, the market price of our common shares does not fully reflect the value of our business or future business prospects and that, at such times, outstanding common shares are an attractive, appropriate, and desirable use of available Company funds. Consequently, in 2002 we purchased 54,600 common shares at an average price of \$16.12 per share for an aggregate price of \$880,000. In 2001 we purchased 233,600 common shares at an average price of \$9.82 per share for an aggregate price of \$2,293,000.

Acquisitions

Our Company completed 10 acquisitions in 2002 for total consideration of \$38.5 million. In 2001 six acquisitions were completed for total consideration of \$11.3 million.

In January 2002 the Company acquired the shares of Saskatchewan-based McCartan Gaudet Consulting Ltd., a leading mechanical engineering firm with offices in Regina and Saskatoon. This acquisition was followed in February by two separate share purchases in the Canada Central region. Webster & Simmonds Surveying Ltd., a surveying firm located in Ottawa, Ontario, was acquired to complement our geomatics business, and Cosburn Patterson Mather, a 165-person consulting firm specializing in land development engineering, was acquired to increase our presence in the Greater Toronto Area. In March we purchased the shares of GKO Engineering. This 200-person Edmonton, Alberta-based firm—with expertise in power, resources, chemicals, and pharmaceuticals—was acquired to enable us to better serve our existing clients in the Industrial market segment and enter new practice areas. In April we acquired the shares of Graeme & Murray Consultants Ltd. to strengthen our civil and structural engineering practice in Victoria, British Columbia. This acquisition was



Plaza Bridge Pedestrian Underpass, Ontario

followed in May by another share purchase in British Columbia—GeoViro Engineering Ltd., a firm specializing in the area of environmental management, pollution control, and property contamination, joined the existing Vancouver office. Near the end of the second quarter, we announced the acquisitions of two separate US firms—English Harper Reta Architects, an architectural firm in Sacramento, California, and Site Consultants Inc, a company specializing in civil and environmental engineering, land use planning, and land surveying services in Columbia, South Carolina. In July we acquired the shares of The RPA Group, a 100-employee firm with offices in Toronto, Calgary, and Vancouver, to strengthen our position in the project management services sector. Finally, in November we purchased the shares of Beak International Incorporated, a specialist environmental consulting firm based in Brampton, Ontario, and Lancaster, New York, to expand our environmental management and geoenvironmental practice service segment.

Future Expectations

Our Company continues to operate within a North American economy that is demonstrating significant divergence across regions. In the US lower tax revenues arising from the economic slowdown of the past two years have led to the suspension or delay of infrastructure projects in several states. The *Engineering News Record* and other sources report that the last year saw declines in the industrial, commercial, and office building market. At the same time, construction spending on public works, institutional buildings, and housing increased, offsetting these declines in some areas. Moving into 2003, the state of world affairs post-September 11 is contributing to continued economic uncertainty, and increased emphasis on defense and domestic security is expected to limit US federal spending on many construction programs.



Bonnybrook Wastewater Treatment Expansion, Alberta

In Canada economic growth over the last year has continued to result in strong project activity. The Canadian economy outperformed its US counterpart in 2002, and although tempered by the uncertainties of world affairs, the outlook for 2003 is continued stability. Housing starts, in particular, defied projections in

2002, and this strength contributed to solid performance in our Urban Land market segment. We expect that, as long as the pace of general activity in Canada remains strong and interest rates remain stable, the housing market will continue to be robust in 2003. According to forecasts from the Canada Mortgage and Housing Corporation, a backlog of sold but not started homes in Toronto and Ottawa will fuel housing starts in Ontario throughout the year. As well, strong in-migration in Alberta, resilient consumer confidence in British Columbia, and job recovery in Saskatchewan are expected to aid new housing construction. Of more concern is the oil and gas sector, where ratification of the Kyoto Accord has led some oil producers to cancel proposals for major oil sands projects, while others have viewed the effects of the Accord with less apprehension.

Within this market outlook, we expect to achieve continued growth through a combination of internal hiring and acquisitions. We target long-term average compound growth rates of 15 to 25%, although not every year may see growth in this range. We have chosen this target because we believe it is an achievable goal that allows us to enhance the depth of our expertise, broaden our service provision, provide expanded opportunities to our employees, and support our information technology systems. Our ability to continue to grow at this rate depends to a large extent on the availability of acquisition opportunities. Since our industry comprises 100,000, mostly small firms, there are many acquisition candidates. At any one time we are engaged in discussions with up to 20 or more firms. Currently, the firms with which we are in some stage of discussion have between 10 and 750 employees.

We plan to support this level of growth through a combination of cash flow from operations and debt financing while maintaining the following performance parameters: a debt to equity ratio at or below .5 to 1, a return on equity at or above 14%, and a net income at or above 5% of net revenue.

If the need to finance a larger acquisition arises, we will seek to raise cash through additional share issues.

Looking at the results of our current mix of project activity in the US and Canada, we anticipate that our gross margin as a percentage of net revenue will remain in the range of 52 to 54% for 2003 and that administrative expenses will remain in the range of 40 to 42% of net revenue. In addition, we expect to see continued reduction in our effective tax rate to a range of 37.5 to 38% as statutory tax rates in Canada continue to fall.

Financial Reporting

Stock-Based Compensation and Other Stock-Based Payments

During 2002 there was considerable discussion concerning the treatment of accounting for stock-based compensation and other stock-based payments. Section 3870 of the CICA Handbook requires that all stock-based payments to non-employees, as well as employee awards involving direct stock, cash or other assets, or stock appreciation rights that are expected to be settled through the issue of equity instruments, be accounted for using the fair value-based method. The CICA also encourages, but does not require, the use of the fair value-based method to account for all other kinds of stock-based compensation. These recommendations are to be adopted for fiscal years beginning on or after January 1, 2002. During 2002 Stantec issued 137,000 options that have been accounted for using the fair value-based method, which requires a charge to income as compensation expense and an increase in contributed surplus in the same amount. In 2002 the expense recorded was \$45,000. We expect the impact of the options issued in 2002 on our earnings per share in 2003 to be \$0.01 per share.

RISK

In the normal course of our business, our Company is exposed to a number of risks that can affect our performance. These risks, and the actions taken to minimize them, are discussed below.

Accounts Receivable

As is common in the professional consulting industry, Stantec carries a high level of accounts receivable on its balance sheet. This value is spread among numerous contracts and clients. Although our Company has not experienced accounts receivable collection problems in the past, we have no assurance that outstanding accounts receivable will be paid on a timely basis or at all.

Competition

Some of the contracts our Company enters into may include a long lead time for planning and marketing. Stantec protects itself to some extent by entering into a diverse range of contracts with a wide range of fee amounts. However, we have no assurance that we will not face greater competition from international, national, or regional competitors in the future. In addition, we are engaged in highly competitive markets in many of our service areas, where we compete with both large and small firms. Although no single firm is dominant in any of our primary service areas, we have no assurance that these competitive forces will not at some point adversely affect our revenue and the results of our operations. We believe that our operating structure, technology, and breadth of professional services differentiate us from other engineering, architectural, and related professional consulting firms. We also believe that providing a diverse portfolio of services to clients in various industries and sectors of the economy, both private and public, will minimize our exposure to, or dependency on, any particular industry or economic sector.

Debt Availability Risk

Our Company currently has a term loan and operating facility with one financial institution. Although we have continued to meet the required covenant ratios, we have no assurance that debt financing will continue to be available from our current lender or other financial institutions on similar terms. As our need for debt financing increases, we will seek financing from more than one financial institution.

Exchange Rate Risk

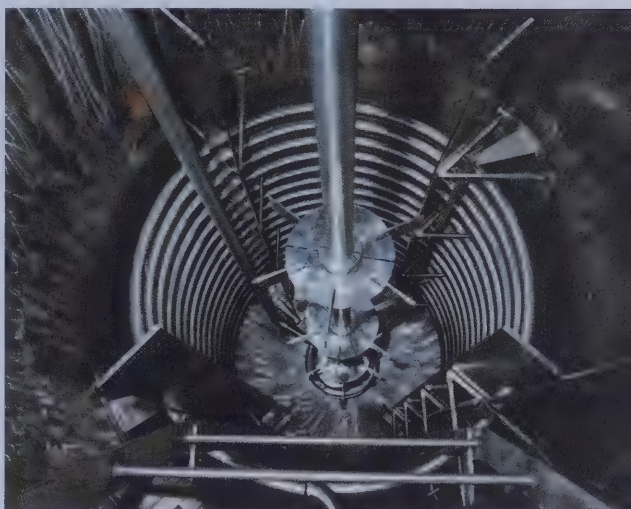
Although our Company's operating results are reported in Canadian dollars, a significant portion of our revenue and expenses are generated or incurred in US dollars. To the extent that US dollar revenues are greater than US dollar expenses in a strengthening US dollar environment, there will be a positive impact on our income from operations. Conversely, to the extent that US dollar revenues are greater than US dollar expenses in a weakening US dollar environment, there will be a negative impact on our income from operations. This exchange rate risk primarily reflects, on an annual basis, the impact of fluctuating exchange rates on the net difference between total US dollar professional revenues and US dollar expenses.

Other exchange risk arises from our non-US-based foreign subsidiaries. The Company's income from operations will be impacted by exchange rate fluctuations used in translating these revenues and expenses. In addition, the impact of exchange rates on the balance sheet accounts of our non-US-based foreign subsidiaries will impact our operating results. We also continue

to be exposed to exchange rate risk for the US dollar and other foreign currency-denominated balance sheet items generated by our Canadian and International operations.

Factors Affecting Operating Results

Our Company's operating results are impacted by a wide variety of factors that could materially affect our revenue and profitability, including the timing and cancellation of client orders and projects, competitive pressures on project prices, availability of staff, market acceptance of our services, and international economic fluctuations. As a result of these factors, we may experience material fluctuations in our future operating results on a quarterly or annual basis that could materially affect our business, financial condition, and operating results. In maintaining our three-dimensional business model of geographic, practice area, and life cycle diversification, we reduce our exposure to economic fluctuations by not being dependent on any one sector.



Alberta Research Council Fermentation Facility, Alberta

Foreign Operations

Stantec conducts a small portion of its business outside North America. This work involves political risks, contracts with foreign clients, and working under foreign legal systems.

Human Resources

Our Company currently operates primarily in the professional fee-for-service business, and one of our key performance drivers is the ability to attract, retain, and motivate our leadership team and employees. We offer a number of employment incentives, including training, employee share ownership, and opportunities for professional development and enhancement, along with compensation plans that we believe to be innovative, flexible, and designed to reward top performance. However, we have no assurance that our current compensation packages or other incentives will be sufficient to ensure the continued availability of qualified personnel.

Insurance

In the normal course of our business, our operations are subject to the risk of third-party claims, some of which may be substantial. Although we believe we have made adequate arrangements for insuring against these risks, we have no assurance that these arrangements will sufficiently cover any particular claim or claims. In addition, we may become subject to liability that cannot be insured against or against which we may choose not to insure because of high premium costs or for other reasons, and there is no guarantee that adequate or any insurance can be obtained or maintained. We currently maintain insurance coverage for our operations, including professional liability insurance. The maximum coverage under our professional liability policy is generally \$25 million per claim and per annum, with a per claim deductible of \$50,000 to a maximum of \$1 million per year. We also obtain project-specific insurance for larger projects from time to time. In addition, we invest resources in remaining a good risk to our insurers through a Practice Management & Enhancement team dedicated to providing Company-wide risk management and professional practice support. One of the team's key responsibilities is developing and delivering training and skill development programs in loss control and financial and project management.

Interest Rate Risk

All of our Company's bank facilities (operating loans and acquisition loan) and \$1,094,000 of our outstanding promissory notes carry a floating rate of interest. Based on balances at December 31, 2002, each 1% change in interest rates would impact our earnings per share by approximately \$0.01.

Permits and Licenses

Our operations may require licenses and permits from various governmental authorities. However, we have no assurance that we will be able to obtain all the necessary licenses and permits that may be required to carry out our projects.

Protection of Proprietary Rights in Technologies

Our Company relies primarily upon trade secret laws to protect our proprietary rights in our specialized technologies. However, we have no assurance that the protection provided for our proprietary technologies by the laws of foreign jurisdictions will be substantially similar to the remedies available to us under the laws of Canada and the US.

Management Report

The annual report, including the consolidated financial statements, is the responsibility of the management of the Company. The consolidated financial statements were prepared by management in accordance with Canadian generally accepted accounting principles. When alternative accounting methods exist, management has chosen those it considers most appropriate in the circumstances. The significant accounting policies used are described in note 1 to the consolidated financial statements. Certain amounts in the financial statements are based on estimates and judgments relating to matters not concluded by year-end. The integrity of the information presented in the financial statements is the responsibility of management. Financial information presented elsewhere in this annual report has been prepared by management and is consistent with the information in the consolidated financial statements.

Management is responsible for the development and maintenance of systems of internal accounting and administrative controls of high quality. Such systems are designed to provide reasonable assurance that the financial information is accurate, relevant, and reliable and that the Company's assets are appropriately accounted for and adequately safeguarded.

The Board of Directors is responsible for ensuring that management fulfills its responsibilities and for final approval of the annual consolidated financial statements. The Board has appointed an Audit Committee comprising three Directors, none of whom is an officer or employee of the Company or its subsidiaries. The Audit Committee meets at least four times each year to discharge its responsibilities under a written mandate from the Board of Directors. The Audit Committee meets with management and with the external auditors to satisfy itself that they are properly discharging their responsibilities, reviews the consolidated financial statements and the Auditors' Report, and examines other auditing and accounting matters. The Audit Committee has reviewed the audited consolidated financial statements with management, including a discussion of the quality of the accounting principles as applied and significant judgements affecting the Company's consolidated financial statements. The Audit Committee has discussed with the external auditors the external auditors' judgements of the quality of those principles as applied and judgements noted above. The consolidated financial statements have been reviewed by the Audit Committee and approved by the Board of Directors of Stantec Inc.

The consolidated financial statements have been examined by the shareholders' auditors, Ernst & Young LLP, Chartered Accountants. The Auditors' Report outlines the nature of their examination and their opinion on the consolidated financial statements of the Company. The external auditors have full and unrestricted access to the Audit Committee, with or without management being present.



Tony Franceschini P.Eng.
President & CEO



Don Wilson CA
Vice President & CFO

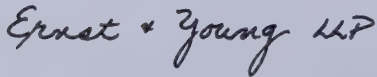
Auditors' Report

To the Shareholders of
Stantec Inc.

We have audited the consolidated balance sheets of **Stantec Inc.** as at December 31, 2002 and 2001 and the consolidated statements of income and retained earnings and cash flows for the years then ended. These financial statements are the responsibility of the company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the company as at December 31, 2002 and 2001 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.



Chartered Accountants
Edmonton, Canada
February 14, 2003

Consolidated Balance Sheets

As at December 31

(in thousands of dollars)	2002 \$	2001 \$
ASSETS [note 3]		
Current		
Cash	29,202	7,526
Accounts receivable	85,940	73,524
Work in progress	35,752	30,021
Income taxes recoverable	807	–
Prepaid expenses	3,362	2,436
Future income tax assets	8,198	7,760
	163,261	121,267
Capital assets [notes 2 and 4]	51,747	41,371
	215,008	162,638
Investment in associated companies	1,264	1,766
Investments – other	1,471	2,792
Goodwill	76,010	47,365
Future income tax assets	4,018	2,660
	82,763	54,583
	297,771	217,221
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current		
Bank indebtedness [note 3]	–	14,671
Accounts payable and accrued liabilities	57,413	43,300
Deferred revenue	12,706	12,424
Income taxes payable	–	1,466
Current portion of long-term debt	20,526	9,195
Future income tax liabilities	8,308	7,372
	98,953	88,428
Long-term debt [note 4]	41,730	15,652
Future income tax liabilities	4,997	5,680
	145,680	109,760
Commitments and contingencies [notes 5 and 6]		
Shareholders' equity		
Share capital [note 7]	83,973	61,555
Contributed surplus [note 7]	1,247	1,205
Cumulative translation account [note 1]	1,966	–
Retained earnings	64,905	44,701
	152,091	107,461
	297,771	217,221

See accompanying notes

On behalf of the Board:


Director


Director

Consolidated Statements of Income and Retained Earnings

Years ended December 31

(in thousands of dollars)	2002 \$	2001 \$
INCOME		
Gross revenue	428,456	356,942
Less direct expenses	63,308	58,170
Net revenue	365,148	298,772
Direct payroll costs	173,609	138,993
Gross margin	191,539	159,779
Administrative and marketing expenses	145,515	122,317
Depreciation on capital assets	9,502	7,082
Goodwill charges	—	1,821
Operating income	36,522	28,559
Net interest expense	(2,630)	(1,660)
Foreign exchange gains (losses)	(73)	1,060
Share of income (loss) from associated companies	355	(635)
Income before income taxes	34,174	27,324
Income taxes [note 8]		
Current	12,949	13,757
Future	379	(1,814)
	13,328	11,943
Net income for the year	20,846	15,381
Retained earnings, beginning of the year	44,701	30,752
Shares repurchased [note 7]	(642)	(1,432)
Retained earnings, end of the year	64,905	44,701
Earnings per share [note 9]		
Basic	1.16	0.92
Diluted	1.11	0.89

See accompanying notes

Consolidated Statements of Cash Flows

Years ended December 31

(in thousands of dollars)	2002 \$	2001 \$
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash receipts from clients	437,354	358,558
Cash paid to suppliers	(128,148)	(126,197)
Cash paid to employees	(257,667)	(203,384)
Distributions from equity investments	175	–
Interest received	3,970	2,594
Interest paid	(6,122)	(3,890)
Income taxes paid	(13,608)	(14,248)
Cash flows from operating activities [note 10]	35,954	13,433
CASH FLOWS FROM INVESTING ACTIVITIES		
Business acquisitions, including cash acquired [note 11]	(17,409)	(3,786)
Proceeds on disposition of investments	2,158	1,131
Proceeds on disposition of subsidiary	1,856	–
Purchase of capital assets	(17,444)	(10,688)
Proceeds on disposition of capital assets	1,612	1,920
Cash flows from investing activities	(29,227)	(11,423)
CASH FLOWS FROM FINANCING ACTIVITIES		
Repayment of long-term debt	(18,619)	(14,537)
Proceeds from long-term borrowings	30,540	1,950
Repurchase of shares for cancellation [note 7]	(880)	(2,293)
Net current tax benefit of share issue costs	155	159
Proceeds from issue of share capital	18,484	2,140
Cash flows from financing activities	29,680	(12,581)
Foreign exchange loss on cash held in foreign currency	(60)	–
Net increase (decrease) in cash	36,347	(10,571)
Cash, beginning of the year	(7,145)	3,426
Cash, end of the year	29,202	(7,145)
Cash consists of		
Cash	29,202	7,526
Bank indebtedness	–	(14,671)
	29,202	(7,145)

See accompanying notes

Notes to Consolidated Financial Statements

1. Summary of Significant Accounting Policies

The consolidated financial statements have been prepared by management in accordance with Canadian generally accepted accounting principles. Because the precise determination of many assets, liabilities, revenues, and expenses are dependent upon future events, the preparation of financial statements for a period necessarily involves the use of estimates and approximations which have been made using careful judgment. Actual results could differ from those estimates. The financial statements have, in management's opinion, been properly prepared within reasonable limits of materiality and within the framework of the accounting policies summarized below.

Basis of Consolidation

The consolidated financial statements include the accounts of Stantec Inc. ("the Company") and its subsidiary companies, all of which are wholly owned. The results of operations of subsidiaries acquired during the year are included from their respective dates of acquisition.

Investments in associated companies over which the Company is able to exercise significant influence, but not control, are accounted for using the equity method, which reflects the Company's investment at original cost plus its share of earnings (losses) net of dividends received.

Joint ventures and partnerships are accounted for on the proportionate consolidation basis, which results in the Company recording its pro rata share of the assets, liabilities, revenues, and expenses of each of the entities.

Other investments are recorded at cost.

Foreign Currency Translation

Transactions denominated in a foreign currency and the financial statements of foreign subsidiaries (excluding US-based subsidiaries) included in the consolidated financial statements are translated as follows: monetary items at the rate of exchange in effect at the balance sheet date, non-monetary items at historical exchange rates, and revenue and expense items (except depreciation) at the average exchange rate for the year. Any resulting gains or losses are included in income in the year incurred.

Effective January 1, 2002, the Company's US-based subsidiaries were designated as self-sustaining operations due to a change in the assessment of the financial and operational independence of the operating subsidiaries. As a result, the foreign currency translation method used for the financial statements of the subsidiaries included in the consolidated financial statements was changed from the temporal method, as described above for foreign subsidiaries, to the current method. Assets and liabilities are now translated at the rate of exchange in effect at the balance sheet date, and revenue and expense items (including depreciation) are translated at the average rate of exchange for the year. As a result of this change, an initial cumulative translation adjustment of \$2,807,000 was recorded as a separate component of shareholders' equity. Exchange gains and losses arising from future translations will be deferred and included as a separate component of shareholders' equity.

Financial Instruments

The carrying values of financial assets and financial liabilities are considered to approximate fair values except as otherwise disclosed in the financial statements.

Accounts Receivable

The Company provides services to diverse clients in various industries and sectors of the economy, and the year-end balance of the accounts receivable is not concentrated in respect of any particular client or industry, economic, or geographic sector.

Revenue Recognition and Work in Progress

Revenue is recognized as income at the time services are provided using estimated billable amounts, adjusted to actual amounts when the account is rendered. In cases where amounts are billed and costs have not been incurred, revenue is deferred. Work in progress, representing fee revenue which has not been billed, is recorded at estimated billable value.

Capital Assets

Depreciation is calculated at annual rates designed to write off the costs of assets over their estimated useful lives as follows:

Engineering equipment	20% - 30%	declining balance
Office equipment	20% - 30%	declining balance
Automotive equipment	30%	declining balance
Leasehold improvements		straight-line over term of lease plus one renewal period to a maximum of 15 years
Buildings	4% - 5%	declining balance

Goodwill

Goodwill is recorded at cost. The carrying value of goodwill is reviewed annually to ensure that the value reflected is not impaired. An impairment loss would be recognized if the carrying amount of goodwill exceeds its fair value.

Effective January 1, 2002, the Company ceased recording amortization on all goodwill pursuant to new recommendations of the Canadian Institute of Chartered Accountants. The Company performed an impairment test as of January 1, 2002, and determined that no impairment provision was required on adoption of the new standard. Reconciliations of reported net income and basic and diluted earnings per share to amounts adjusted to exclude goodwill charges are as follows:

(in thousands of dollars)	2002 \$	2001 \$
Reported net income for the year	20,846	15,381
Goodwill charges, net of tax recovery of \$145,000	–	1,676
Adjusted net income for the year	20,846	17,057
Basic earnings per share as reported	1.16	0.92
Goodwill charges, net of tax recovery	–	0.10
Adjusted basic earnings per share	1.16	1.02
Diluted earnings per share as reported	1.11	0.89
Goodwill charges, net of tax recovery	–	0.09
Adjusted diluted earnings per share	1.11	0.98

Income Taxes

The Company uses the liability method to account for income taxes. Under this method, future income tax assets and liabilities are determined based on differences between financial reporting and tax bases of assets and liabilities and measured using the substantively enacted tax rates and laws that will be in effect when these differences are expected to reverse.

Non-Interest Bearing Debt

Non-interest bearing debt is carried at its present value using discount rates based on the bank prime prevailing at the time the debt was issued.

Share Option Plan

Effective January 1, 2002, the Company adopted the new recommendations of the Canadian Institute of Chartered Accountants for stock-based compensation and other stock-based payments. As permitted by these recommendations, the Company has applied this change prospectively for new awards granted on or after January 1, 2002. In years prior to January 1, 2002, the Company recognized no compensation when shares or stock options were issued.

The Company has one share option plan, which is more fully described in note 7, and accounts for grants under the plan in accordance with the fair value-based method of accounting for stock-based compensation.

Earnings Per Share

Basic earnings per share is computed based on the weighted average number of common shares outstanding during the year. Diluted earnings per share is computed using the treasury stock method, which assumes that the cash that would be received on the exercise of options is applied to purchase shares at the average price during the year and that the difference between the shares issued upon the exercise of options and the number of shares obtainable under this computation, on a weighted average basis, is added to the number of shares outstanding. Antidilutive options are not considered in computing diluted earnings per share.

2. Capital Assets

(in thousands of dollars)	2002		2001	
	Cost	Accumulated depreciation	Cost	Accumulated depreciation
	\$	\$	\$	\$
Engineering equipment	25,068	12,204	19,625	8,428
Office equipment	16,620	4,983	10,667	4,094
Automotive equipment	3,842	2,090	3,505	1,208
Leasehold improvements	6,485	1,506	3,748	757
Buildings	20,131	1,535	17,754	1,410
Land	1,919	—	1,969	—
	74,065	22,318	57,268	15,897
Net book value	51,747		41,371	

3. Bank Indebtedness

All assets of the Company are held as collateral under a general security agreement for the bank indebtedness and bank loan.

4. Long-Term Debt

(in thousands of dollars)	2002 \$	2001 \$
Notes payable	933	983
Discount	840	878
Carrying value	93	105
Bank loan	26,310	–
Promissory notes payable	24,279	13,059
Mortgages payable	10,991	11,117
Other	583	566
	62,256	24,847
Less current portion	20,526	9,195
	41,730	15,652

If the non-interest bearing note payable was discounted at interest rates in effect at December 31, 2002, the fair value of the note would have been \$133,000 (2001 - \$138,000). During 2002 one note was repaid, with the remaining note due on November 1, 2027. The following summarizes the due date of the non-interest bearing note, the discount rate applied, and the amount due:

Due Date (in thousands of dollars)	Discount Rate %	2002 \$	2001 \$
October 1, 2010	11.00	–	50
November 1, 2027	9.75	933	933
		933	983

The bank loan is due in equal quarterly payments of principal plus interest to June 2006 and bears interest at a floating rate of prime plus 0.1% to prime plus 0.5%. The actual rate of interest is dependent upon certain ratio calculations determined on a quarterly basis. \$6,310,000 of the bank loan is denominated in US dollars.

The promissory notes payable bear interest at an average rate of 6.33% and are due at various times from 2003 to 2007 with certain of the notes supported by a deed of trust against land. \$5,786,000 (2001 - \$10,594,000) of the notes are payable in US funds.

The mortgages payable bear interest at 7.63%, are due in 2005 and 2006, and are supported by first mortgages against land and buildings.

Other long-term debt bears interest at rates averaging 5.97% and are due at various times.

Principal repayments required on long-term debt in each of the next five years and thereafter are as follows:

(in thousands of dollars)	\$
2003	20,526
2004	14,926
2005	12,365
2006	4,689
2007	475
Thereafter	9,275
	62,256

In 2002 interest of \$2,648,000 (2001 - \$1,320,000) was incurred on the long-term debt.

At December 31, 2002, the Company has issued letters of credit totaling \$711,000. Of this amount, \$372,000 supports promissory notes payable issued as consideration for acquisitions.

5. Commitments

Commitments for annual basic premises rent under long-term leases, and equipment and vehicle operating leases, for the next five years are as follows: 2003 - \$19,978,000; 2004 - \$18,014,000; 2005 - \$15,519,000; 2006 - \$13,158,000; 2007 - \$11,892,000; and thereafter - \$44,209,000.

6. Contingencies

In the normal conduct of operations, various legal claims are pending against the Company alleging, among other things, breaches of contract or negligence in connection with the performance of consulting services. The Company carries professional liability insurance, subject to certain deductibles and policy limits, against such claims. In some cases, parties are seeking damages that substantially exceed the Company's insurance coverage. Based on advice and information provided by legal counsel, and the Company's previous experience with the settlement of similar claims, management believes that the Company has recognized adequate provisions for probable and reasonably estimable liabilities associated with these claims and that their ultimate resolutions will not materially exceed insurance coverages or have a material adverse effect on the consolidated financial position or annual results of operations.

At December 31, 2002, the Company is contingently liable for outstanding letters of credit and guarantees for joint ventures in the amount of approximately \$1,245,000 (see note 12).

7. Share Capital

Authorized

Unlimited	Common shares
Unlimited	Preferred shares issuable in series

Common shares issued and outstanding

(in thousands of dollars)	# of shares	2002 \$	# of shares	2001 \$
Balance, beginning of the year	16,846,340	61,555	16,668,340	60,259
Share options exercised	29,300	148	411,600	2,140
Shares repurchased under normal course issuer bid	(54,600)	(235)	(233,600)	(844)
Shares issued on acquisitions	261,680	3,712	–	–
Shares issued under public offering, net of share issue costs	1,200,000	18,793	–	–
Balance, end of the year	18,282,720	83,973	16,846,340	61,555

On May 2, 2002, the shareholders approved the subdivision of the Company's common shares on a two-for-one basis (a "stock split"). The stock split was effective for registered common shareholders at the close of business on May 15, 2002. All references to common shares, per share amounts, and stock-based compensation plans in these consolidated financial statements have been restated to reflect the stock split on a retroactive basis.

During the year 54,600 common shares (2001 - 233,600) were repurchased for cancellation pursuant to an ongoing normal course issuer bid at a cost of \$880,000 (2001 - \$2,293,000). Of this amount, \$235,000 (2001 - \$844,000) and \$3,000 (2001 - \$17,000) reduced the share capital and contributed surplus accounts respectively, with \$642,000 (2001 - \$1,432,000) being charged to retained earnings.

Share Options

Under the Company's share option plan, options to purchase common shares may be granted by the Board of Directors to directors, officers, and employees. Options are granted at exercise prices equal to or greater than fair market value at the issue date, generally vest evenly over a three-year period, and have terms that range from five to seven years. The aggregate number of common shares reserved for issuance that may be purchased upon the exercise of options granted pursuant to the plan shall not exceed 1,808,438 common shares.

The Company has granted share options to directors, officers, and employees to purchase 1,296,200 shares at prices between \$3.38 and \$14.50 per share. These options expire on dates between March 30, 2004, and October 9, 2009.

	2002		2001	
	Shares #	Weighted Average Exercise Price \$	Shares #	Weighted Average Exercise Price \$
Share options, beginning of the year	1,188,500	5.10	1,600,100	5.13
Granted	137,000	14.50	–	–
Exercised	(29,300)	5.04	(411,600)	5.20
Share options, end of the year	1,296,200	6.09	1,188,500	5.10

The Company has issued options to directors, officers, and employees at December 31, 2002, as follows:

Range of Exercise Prices \$	Options Outstanding			Options Exercisable	
	Outstanding #	Weighted Average Remaining Contractual Life in Years	Weighted Average Exercise Price \$	Exercisable #	Weighted Average Exercise Price \$
3.38 - 3.60	521,500	3.7	3.55	521,500	3.55
5.20 - 7.50	637,700	2.3	6.36	625,633	6.12
14.50	137,000	6.8	14.50	-	-
3.38 - 14.50	1,296,200	3.3	6.09	1,147,133	4.95

The fair value of share options are determined, at the date of grant, using the Black-Scholes option pricing model. The estimated fair value of options granted in 2002 was determined using the following assumptions, resulting in a fair value of \$4.19 per option:

Risk-free interest rate (%)	4.35
Expected hold period to exercise (years)	6.0
Volatility in the price of the Company's shares (%)	17.5
Dividend yield	0.0

Share-based compensation expense of \$45,000 has been recognized in 2002.

8. Income Taxes

The effective income tax rate in the consolidated statements of income differs from the statutory Canadian tax rates as a result of the following:

	2002 %	2001 %
Income tax expense at statutory Canadian rates	39.3	42.1
Increase (decrease) resulting from:		
Loss (income) from associated companies accounted for on the equity basis	(0.3)	0.9
Rate differential on foreign income	(0.1)	(1.3)
Non-deductible expenses:		
Meals and entertainment	1.8	2.2
Goodwill amortization	-	2.2
Non-taxable foreign income net of non-creditable withholding taxes	(2.4)	(3.1)
Other	0.7	0.7
	39.0	43.7

Significant components of the Company's future income tax assets and liabilities are as follows:

(in thousands of dollars)	2002 \$	2001 \$
Future income tax assets		
Differences in timing of deductibility of expenses	8,035	7,495
Loss carryforwards	1,932	1,844
Share issue and other financing costs	639	417
Tax cost of capital assets in excess of carrying value	498	390
Other	1,112	274
	12,216	10,420

(in thousands of dollars)	2002 \$	2001 \$
Future income tax liabilities		
Cash to accrual adjustments on acquisition of US subsidiaries	2,108	3,438
Differences in timing of taxability of revenues	6,590	7,032
Carrying value of capital assets in excess of tax cost	1,832	1,672
Other	2,775	910
	13,305	13,052

At December 31, 2002, loss carryforwards of approximately \$2,964,000 are available to reduce taxable income of certain Canadian subsidiaries. These losses expire as set out below:

(in thousands of dollars)	\$
	2006
	2007
	2008
	2009
	2,964

In addition, the Company has loss carryforwards of approximately \$1,649,000 available to reduce taxable income of certain US subsidiaries that expire at varying times over the next 20 years.

The potential income tax benefits that will result from the application of Canadian and US tax losses have been recognized in these financial statements.

9. Earnings Per Share

The number of basic and diluted common shares outstanding, as calculated on a weighted-average basis, is as follows:

	2002 #	2001 #
Basic shares outstanding	17,987,358	16,742,730
Share options (dilutive effect of 1,296,200 options; 2001 - 1,188,500)	812,126	635,916
Diluted shares outstanding	18,799,484	17,378,646

10. Cash Flows from Operating Activities

Cash flows from operating activities determined by the indirect method are as follows:

(in thousands of dollars)	2002 \$	2001 \$
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income for the year	20,846	15,381
Add (deduct) items not affecting cash:		
Depreciation and goodwill charges	9,502	8,903
Future income tax	379	(1,814)
Loss on dispositions of investments and capital assets	89	769
Distributions from equity investments	175	—
Share-based compensation expense	45	—
Share of loss (income) from equity investments	(355)	635
Foreign exchange gains	(775)	(39)
	29,906	23,835
Change in non-cash working capital accounts:		
Accounts receivable	(12,416)	(13,733)
Work in progress	(5,731)	(7,121)
Prepaid expenses	(926)	(583)
Accounts payable and accrued liabilities	14,113	5,578
Deferred revenue	282	3,024
Income taxes payable/recoverable	(2,273)	(426)
	(6,951)	(13,261)
Non-cash working capital acquired on acquisition [note 11]	13,859	3,895
Change in working capital account balances related to financing or investing activities	(860)	(1,036)
	6,048	(10,402)
Cash flows from operating activities	35,954	13,433

11. Business Acquisitions

Acquisitions are accounted for under the purchase method of accounting, and the results of earnings since the respective dates of acquisition are included in the consolidated statements of income. The purchase prices of acquisitions are generally subject to price adjustment clauses included in the purchase agreements. From time to time, as a result of the timing of acquisitions in relation to the Company's reporting schedule, certain of the purchase price allocations may not be finalized at the initial time of reporting. In the case of some acquisitions, additional consideration may be payable based on future performance parameters. As at December 31, 2002, the maximum contingent consideration that may be payable in 2003 and future years is approximately \$2,223,000.

During 2002 the Company acquired the shares and businesses of McCartan Consulting Ltd. (January 2, 2002); Webster & Simmonds Surveying Ltd. (February 14, 2002); Cosburn Patterson Mather Limited (February 26, 2002); GKO Engineering (March 30, 2002); M.R.S.F.M. Holdings Ltd., operating as Graeme & Murray Consultants Ltd., (April 12, 2002); GeoViro Engineering Ltd. (May 12, 2002); English Harper Reta Architects (June 14, 2002); Site Consultants, Inc. (June 14, 2002); The RPA Group (July 19, 2002); and Beak International Incorporated (October 25, 2002). The Company also paid additional contingent consideration in connection with the DSAtlantic Corporation (2000) acquisition and reduced the purchase price on the Eckhoff, Watson and Preator Engineering, Inc. (2000) and The Pentacore Family Group of Companies (2001) acquisitions pursuant to price adjustment clauses included in the purchase agreements.

During 2001 the Company acquired the shares and businesses of Tipton & Kalmbach, Inc. (January 5, 2001), The Spink Corporation (March 2, 2001), the ellard croft design group (July 6, 2001), and The Pentacore Family Group of Companies (October 26, 2001) and the net assets and businesses of Associated Consulting Engineers, Ltd. (November 28, 2001) and Taggart Engineering Associates (December 10, 2001). The Company also paid and accrued additional contingent consideration in connection with the D.W. Thomson Consultants Ltd. (1997) and Eckhoff, Watson and Preator Engineering, Inc. (2000) acquisitions and reduced the purchase price on the DSAtlantic Corporation and P.R. Fletcher & Associates, Inc. acquisitions (2000) pursuant to price adjustment clauses included in the purchase agreements.

Details of the aggregate consideration given and the fair values of net assets acquired are as follows:

(in thousands of dollars)	2002 \$	2001 \$
Cash consideration	17,736	4,727
Share consideration	3,712	—
Promissory notes	17,356	7,466
Purchase price	38,804	12,193
Assets and liabilities acquired at fair values		
Cash acquired	327	941
Non-cash working capital	13,859	3,895
Capital assets	3,498	1,904
Investments – other	—	1,568
Goodwill	27,683	8,217
Long-term debt	(8,104)	(6,165)
Future income taxes	1,541	1,833
Net assets acquired	38,804	12,193

Goodwill is non-deductible for income tax purposes and is all attributable to the Consulting Services business unit.

12. Joint Ventures

A summary of the assets, liabilities, revenues, expenses, and cash flows included in the consolidated financial statements related to joint ventures is as follows:

(in thousands of dollars)	2002 \$	2001 \$
Current assets	4,374	3,643
Current liabilities	5,516	3,324
Retained earnings (deficit)	(1,142)	319
	4,374	3,643
Gross revenue	11,174	5,959
Direct expenses and payroll costs	12,529	5,024
Administrative and marketing expenses	277	232
Income (loss) before income taxes	(1,632)	703
Income tax expense	89	166
Net income (loss) for the year	(1,721)	537
Retained earnings, beginning of the year	319	64
Acquired retained earnings	560	-
Profit distribution	(300)	(282)
Retained earnings (deficit), end of the year	(1,142)	319
Cash flows from operating activities	425	719

13. Segmented Information

Operating segments of the Company are defined as components of the Company for which separate financial information is available that is evaluated regularly by the chief operating decision maker in allocating resources and assessing performance. The chief operating decision maker of the Consulting Services business unit is the Chief Executive Officer of the Company. Other gross revenue consists of revenues earned by the Design-Build and Technology business units.

Reportable Segments 2002 (in thousands of dollars)	Consulting Services \$	Other \$	Total \$
Gross revenue	423,875	4,581	428,456
Depreciation on capital assets	8,459	1,043	9,502
Operating income	31,886	4,636	36,522
Segment assets	243,963	53,808	297,771
Expenditures for capital assets and goodwill	46,587	1,669	48,256
2001 (in thousands of dollars)	Consulting Services \$	Other \$	Total \$
Gross revenue	350,036	6,906	356,942
Depreciation on capital assets	6,172	910	7,082
Operating income	24,718	3,841	28,559
Segment assets	183,454	33,767	217,221
Expenditures for capital assets and goodwill	21,167	1,109	22,276

Geographic Segments

2002 (in thousands of dollars)	Gross Revenues \$	Capital Assets and Goodwill \$
Canada	238,774	75,860
United States	180,296	51,311
International	9,386	586
	428,456	127,757

2001 (in thousands of dollars)	Gross Revenues \$	Capital Assets and Goodwill \$
Canada	170,743	39,681
United States	175,444	48,456
International	10,755	599
	356,942	88,736

14. Subsequent Events

Subsequent to the year-end, the Company acquired the shares and businesses of APAI Architecture Inc. and Mandalian Enterprises Limited for consideration consisting of cash and promissory notes.

15. Comparative Figures

Certain comparative figures have been reclassified to conform to the presentation adopted for the current year.

Board of Directors

Neilson A. "Dutch" Bertholf, Jr.²
Phoenix AZ
Retired Aviation Director
City of Phoenix

Robert J. Bradshaw²
Toronto ON
Chairman
Contor Industries Limited

E. John (Jack) Finn¹
Madison CT
Corporate Director

Robert E. Flynn²
Winnetka IL
Corporate Director

Anthony P. Franceschini
Edmonton AB
President & CEO
Stantec Inc.

William D. Grace^{1,2}
Edmonton AB
Corporate Director

Stephen D. Lister¹
Toronto ON
Managing Partner
Imperial Capital Corporation

Ronald P. Triffo
Edmonton AB
Chairman
Stantec Inc.

¹ Audit Committee
² Corporate Governance
& Compensation Committee



Top: (from left) Tony Franceschini, Ron Triffo
Middle: Jack Finn, Robert Bradshaw, Bill Grace
Bottom: Dutch Bertholf, Steve Lister, Bob Flynn

Officers

Ronald P. Triffo
Chairman

Anthony P. Franceschini
President & CEO

Donald W. Wilson
Vice President & CFO

Jeffrey S. Lloyd
Vice President & Secretary

Shareholder Information

Transfer Agent
CIBC Mellon Trust Company
Calgary AB

Auditors
Ernst & Young LLP
Chartered Accountants
Edmonton AB

Principal Bank
Canadian Imperial Bank of
Commerce

Securities Exchange Listing
Stantec shares are traded on the
Toronto Stock Exchange
under the symbol STN.

Investor Relations
Stantec Inc.
10160 - 112 Street
Edmonton AB
Canada T5K 2L6
Tel: (780) 917-7000
Fax: (780) 917-7330
ir@stantec.com

Annual General Meeting
May 1, 2003
11:00 AM
Stantec Centre
325 - 25th Street SE
Calgary AB
Canada

Edmonton
Red Deer

Saskatoon

Ottawa
Toronto
Lancaster
Hamilton
Kitchener
London
Windsor

Richmond
Nashville
Winston-Salem
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Charleston
McDonough
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Barbados

ices

US Southwest & West

Phoenix AZ
Tucson AZ
Sacramento CA
Denver CO
Las Vegas NV
Reno NV
Salt Lake City UT

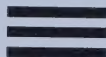
US Southeast

Macon GA
McDonough GA
Charlotte NC
Raleigh NC
Winston-Salem NC
Amherst NY
Lancaster NY
Charleston SC
Columbia SC
Nashville TN
Richmond VA

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St. Michael, Barbados

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200-10160 112 ST NW
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Stantec

2002 Annual Report

Please take a moment to evaluate the Stantec 2002 Annual Report. We appreciate your feedback. If you wish to complete this form online, please go to www.stantec.com/02arfeedback. Thank you.

Contact Information

In an effort to keep our database current, we ask you to complete and return this reply card.

Marianna Lacika
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Rm. 1-18 Business Building
University of Alberta
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- ☐ Keep me on the list ☐ Remove me from the list

Please ensure above contact information is accurate

Email

- ☐ *I prefer to receive future Company announcements by email*

Feedback

Please complete the following:

I receive this Annual Report in my capacity as a:

- | | |
|--|---|
| ☐ Shareholder* | ☐ Financial Analyst |
| ☐ Prospective Shareholder | ☐ Institutional Investor |
| ☐ Stantec Employee | ☐ Retail Broker |
| ☐ Stantec Client | ☐ Media Representative |
| ☐ Business/Industry Peer | ☐ Other <input type="text"/> |

Using a scale of 1 to 5 (5=VERY satisfactory, 1=NOT satisfactory) please evaluate the following by circling your choice.

- | | |
|-----------------------------------|--------------------------------------|
| 5 4 3 2 1 2002 Highlights | 5 4 3 2 1 Design & Layout |
| 5 4 3 2 1 Message to Shareholders | 5 4 3 2 1 Volume of Information |
| 5 4 3 2 1 Business of Stantec | 5 4 3 2 1 Overall Impression |
| 5 4 3 2 1 MDA | 5 4 3 2 1 Other <input type="text"/> |
| 5 4 3 2 1 Financial Statements | |

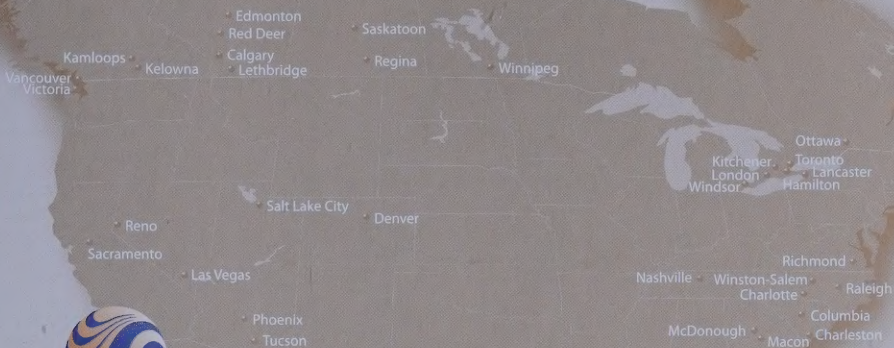
Do you consider any aspect of this Annual Report to be particularly strong or weak?

We welcome your general comments.

***Non-registered shareholders – Request for Interim Financial Statements**

National Policy Statement No. 41/Shareholder Communication provides non-registered (beneficial) shareholders with the opportunity to elect annually to have their name added to an issuers supplemental mailing list in order to receive interim financial statements of the Company. If you are interested in receiving such statements and additional information, please complete the above form, sign below, and return by pre-paid postage.

Signature I certify that I am a non-registered (beneficial) shareholder. Date



Stantec

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Local Offices by Region

Canada West

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Edmonton AB
Lethbridge AB
Red Deer AB
Kamloops BC
Kelowna BC
Surrey BC
Vancouver BC
Victoria BC
Winnipeg MB
Regina SK
Saskatoon SK

Canada Central

Brampton ON
Hamilton ON
Kitchener ON
London ON
Markham ON
Mississauga ON
Ottawa ON
Toronto ON
Windsor ON

US Southwest & West

Phoenix AZ
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Las Vegas NV
Reno NV
Salt Lake City UT

US Southeast

Macon GA
McDonough GA
Charlotte NC
Raleigh NC
Winston-Salem NC
Amherst NY
Lancaster NY
Charleston SC
Columbia SC
Nashville TN
Richmond VA

Caribbean

Holletown, Barbados
St. Michael, Barbados

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